COUNTY OF SANTA CLARA

Single Audit Reports

Basic Financial Statements with
Federal Compliance Section

For the Fiscal Year Ended June 30, 2017

Certified
Public
Accountants

COUNTY OF SANTA CLARA
Single Audit Reports
For the Fiscal Year Ended June 30, 2017

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FEDERAL COMPLIANCE SECTION:

Certified Public Accountants

Independent Auditor's Report

The Board of Supervisors
County of Santa Clara
San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Clara, California (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the FIRST 5 Santa Clara County; Santa Clara County Health Authority; the County Sanitation District 2 – 3 of Santa Clara County; the Santa Clara County Vector Control District; and the Santa Clara County Central Fire Protection District, the South Santa Clara County Fire District, and the Los Altos Hills County Fire District (collectively, "Fire Districts"), which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	2.6%	539.0%	4.0%
Business-type activities	1.2%	1.1%	0.2%
Aggregate discretely presented component units	54.0%	34.9%	76.4%
Aggregate remaining fund information	1.9%	2.2%	1.0%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Santa Clara County Tobacco Securitization Corporation, the South Santa Clara County Fire District, and Santa Clara County Health Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of changes in net pension liability and related ratios; the schedule of the cost sharing plans' proportionate share of the net pension liability; the schedule of pension plans contributions; the schedule of funding progress – other postemployment benefits; and the budgetary comparison schedule – General Fund – budgetary basis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 19, 2017, except for our report on the schedule of expenditures of
federal awards, as to which the date is March 29, 2018

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As management of the County of Santa Clara (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year which ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to viii of this report.

FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources by $768.1 million *(net position)* at June 30, 2017. Of this amount, $1.11 billion represents the County's net investment in capital assets, $539.8 million represents restricted net position for the County's ongoing obligations related to programs with external restrictions, and unrestricted net position is negative $2.42 billion due to recording a net pension liability of $3.58 billion. (See further detail in Table 1 on page 8).

The County's total net position increased by $329.5 million from the previous fiscal year. The change represents increases in net investment in capital assets, restricted net position, and unrestricted net position by $12.8 million, $73.5 million and $243.2 million, respectively. (See further detail in Table 1 on page 8).

At June 30, 2017, the County's governmental funds reported combined fund balances of $1.59 billion, an increase of $310.4 million from prior year. Approximately 61.1 percent of the combined fund balances, $973.3 million, is available to meet the County's current and future needs. This includes an unassigned fund balance for the General Fund of $572.3 million, 22.1 percent of total General Fund expenditures.

The County's investment in capital assets increased by $123.8 million or 4.9 percent. (See further detail in Table 5 on page 18).

The County's total long-term debt decreased by $51.1 million or 2.4 percent during the current fiscal year mainly due to scheduled debt service payments. (See further detail in Table 6 on page 19).

During the year, the County also recorded a special item transfer of capital assets and associated restricted assets and obligations from Santa Clara Valley Medical Center (SCVMC) to governmental activities in the amount of $900.2 million (See further detail in Note (1)(r)).

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the government-wide statements for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation and culture. The business-type activities of the County include healthcare operations [a hospital - SCVMC and a health plan (Valley Health Plan)], airport operations (2 airports - Reid Hillview and South County), and a sanitation district (County Sanitation District No. 2-3 of Santa Clara County).

Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. Because of the governing board relationship and the exclusivity of County services, the financial operations of some component units are blended in the County's basic financial statements. These component units are the Santa Clara County Central Fire Protection District, South Santa Clara County Fire District, Los Altos Hills County Fire District, Santa Clara County Library, Santa Clara County Vector Control District, County Sanitation District No. 2-3 of Santa Clara County, Santa Clara County Financing Authority, Santa Clara County Tobacco Securitization Corporation and the Silicon Valley Tobacco Securitization Authority. The Housing Authority of Santa Clara County, Santa Clara County Health Authority, and FIRST 5 Santa Clara County are reported separately as discrete component units of the County.

The government-wide financial statements can be found on pages 21 – 23 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds,* and *fiduciary funds.*

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from other governmental funds is combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements and schedules* elsewhere in this report.

The governmental funds financial statements can be found on pages 24 – 27 of this report.

Proprietary funds

The County maintains two kinds of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for one hospital - Santa Clara Valley Medical Center (SCVMC), one health plan (Valley Health Plan), two airports (Reid Hillview and South County), and one sanitation district (County Sanitation District No. 2-3 of Santa Clara County). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its information services, fleet management, insurance, printing services, unemployment insurance, workers' compensation, employee benefits, pension obligations, and retirees' healthcare. The internal service funds have been allocated between the governmental activities and business-type activities based on the relative percentage of use of the internal service funds in these activities.

Proprietary fund statements provide the same type of information as the business-type activities column in the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for the SCVMC and Valley Health Plan, which are considered major funds. The financial statements of the non-major enterprise funds (Airports and Sanitation District) are combined into a single aggregated presentation. Similarly, the County's nine internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Individual fund data for the enterprise funds and the internal service funds is provided in the form of *combining statements* section of this report.

The proprietary funds financial statements can be found on pages 28 – 31 of this report.

Fiduciary funds

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the County's own programs.

The fiduciary funds financial statements can be found on pages 32 – 33 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 35 – 109 of this report.

Required Supplementary Information

The required supplementary information (RSI) is presented with additional information related to County's defined benefit pension plans and other postemployment benefits (OPEB) to its employees, and the County General Fund budgetary comparison schedule. The County adopts an annual appropriated budget for its General Fund, as well as other funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 111 – 128 of this report.

Combining Statements and Schedules

The combining and individual fund statements and schedules referred to earlier provide information for discretely presented component units, non-major governmental funds, non-major enterprise funds, internal service funds, and certain fiduciary funds which are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 129 – 191 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by $768.1 million (*net position*) at June 30, 2017. As stated earlier, the County's negative balance in net position was due to recording a net pension liability on the accrual basis financial statements as required by GASB Statement No. 68. When applicable, prior year numbers have been reclassified to make them comparable to the current year.

Table 1—Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2016	2017	2016	2017	2016	2017	Dollar Change	Percent Change
Assets								
Current and other assets	$ 2,223,173	$ 2,626,959	$ 783,772	$ 683,644	$ 3,006,945	$ 3,310,603	$ 303,658	10.1%
Capital assets	1,262,336	2,527,979	1,270,846	128,975	2,533,182	2,656,954	123,772	4.9%
Total assets	3,485,509	5,154,938	2,054,618	812,619	5,540,127	5,967,557	427,430	7.7%
Deferred outflows of resources	233,994	608,685	140,657	279,969	374,651	888,654	514,003	137.2%
Liabilities								
Current and other liabilities	463,444	538,264	472,897	497,256	936,341	1,035,520	99,179	10.6%
Long-term liabilities	2,320,208	2,714,823	579,551	143,689	2,899,759	2,858,512	(41,247)	(1.4%)
Net pension liability	1,964,622	2,415,326	934,043	1,169,107	2,898,665	3,584,433	685,768	23.7%
Noncurrent derivative instrument liabilities	-	16,452	24,799	-	24,799	16,452	(8,347)	(33.7%)
Total liabilities	4,748,274	5,684,865	2,011,290	1,810,052	6,759,564	7,494,917	735,353	10.9%
Deferred inflows of resources	174,470	92,623	78,293	36,764	252,763	129,387	(123,376)	(48.8%)
Net position:								
Net investment in capital assets	1,067,566	1,032,918	832,176	79,832	1,099,998	1,112,750	12,752	1.2%
Restricted	465,552	539,831	142,227	-	466,343	539,831	73,488	15.8%
Unrestricted	(2,736,359)	(1,586,614)	(868,711)	(834,060)	(2,663,890)	(2,420,674)	243,216	(9.1%)
Total net position	$ (1,203,241)	$ (13,865)	$ 105,692	$ (754,228)	$ (1,097,549)	$ (768,093)	$ 329,456	(30.0%)

Assets and Deferred Outflows of Resources

The County's total assets and deferred outflows of resources increased by $941.4 million or 15.9 percent primarily due to the following:

Governmental activities. Total assets and deferred outflows of resources for the governmental activities increased significantly by $2.04 billion or 55.0 percent. The increases occurred in the following areas:

- Total restricted and unrestricted cash and investments increased by $436.0 million. This was due to:
  - Increases of $68.8 million in property tax revenues, $101.1 million in State funding for various County programs related to public assistance and public health, $68.4 million in past due amounts owed by the City of San Jose to the County for redevelopment purposes, and $38.7 million from an excess in the Educational Revenue Augmentation Funds (ERAF) apportionments.
  - An increase of $112.8 million in cash transfers is the result of the transfer of restricted resources earmarked to complete construction of various SCVMC's facilities from SCVMC (see Note (1)(r)).
  - An increase of $42.5 million in cash with the Workers' Compensation Internal Service Fund from increased rates charged to County departments and agencies to reduce a deficit in this fund.
- Capital assets increased by $1.27 billion or 100.3 percent. Non-depreciable capital assets increased by $791.9 million and depreciable capital assets increased by $473.7 million. An increase of $1.19 billion is the result from the transfer of certain SCVMC facilities to governmental activities (see Note (1)(r)). Other changes in capital assets will be discussed in the Capital Assets section on page 18 and Note 6 on page 61.

- Deferred outflow of resources increased by $374.7 million mainly due to increase in the County's actuarially determined pension contributions made after the measurement date. This increase is due to an increase in the County's staffing, salaries, and pension benefit rates.

Business-type activities. Total assets and deferred outflows of resources for the business-type activities decreased by $1.10 billion or 50.2 percent. This was attributable to decreases in current and other assets of $100.1 million and capital assets of $1.14 billon. Both decreases were due to a one-time transfer of capital assets and associated restricted assets and obligations from SCVMC to governmental activities (see Note (1)(r)). In addition, the decreases were offset by an increase in deferred outflows of resources of $139.3 million from an increase in the County's actuarially determined pension contributions made after the measurement date as described above.

Changes in capital assets will be discussed in the Capital Assets section on page 18 and Note 6 on page 61.

Liabilities and Deferred Inflows of Resources
The County's total liabilities and deferred inflows of resources increased by $612.0 million, or 8.7 percent, primarily due to the following:

Governmental activities. Total liabilities and deferred inflows of resources for the governmental activities increased by $854.7 million or 17.4 percent due to increases of long-term liabilities of $394.6 million and net pension liabilities of $450.7 million resulted from an increase in staffing, salaries, and pension benefit rates.

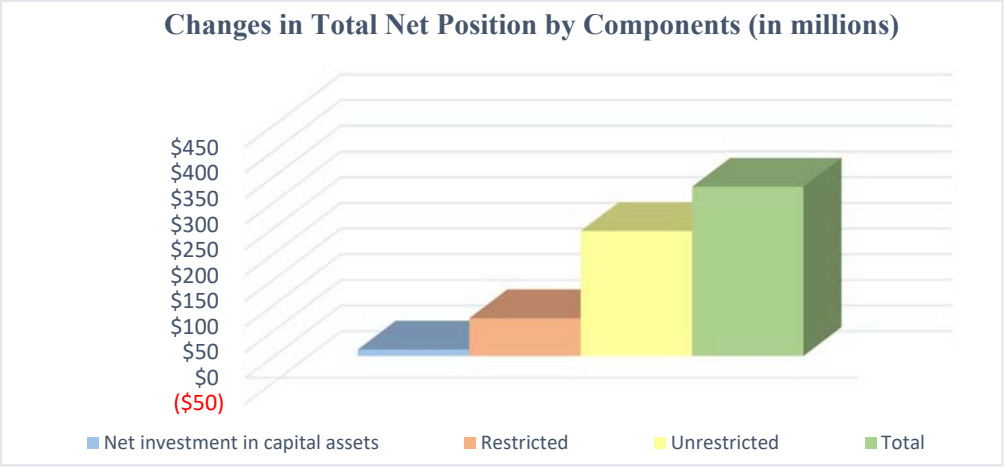
The increases in long term liabilities will be discussed further in the Long-term debt section on page 19 and Note 8 on page 66.

Business-type activities. Total liabilities and deferred inflows of resources for business-type activities decreased by $242.8 million or 11.6 percent, due to a decrease of $435.9 million in long-term liabilities which was offset by an increase in net pension liabilities of $235.1 million.

The decrease in long term liabilities will be discussed further in the Long-term debt section on page 19 and Note 8 on page 66.

Net Position
The County's unrestricted net position of negative $2.42 billion was due to recording a net pension liability on the government-wide financial statements as required by GASB Statement No. 68. A large portion of the County's net position of $1.11 billion reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, and equipment and vehicles) net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining $539.8 million of the County's net position represents resources that are subject to external restrictions on how they may be used.

At the end of the fiscal year, the County reported positive balances in both net investment in capital assets and restricted categories of net position for its governmental activities and for its business-type activities. The unrestricted net position resulted in negative balances of $1.59 billion and $834.1 million of its governmental activities and business-type activities, respectively.

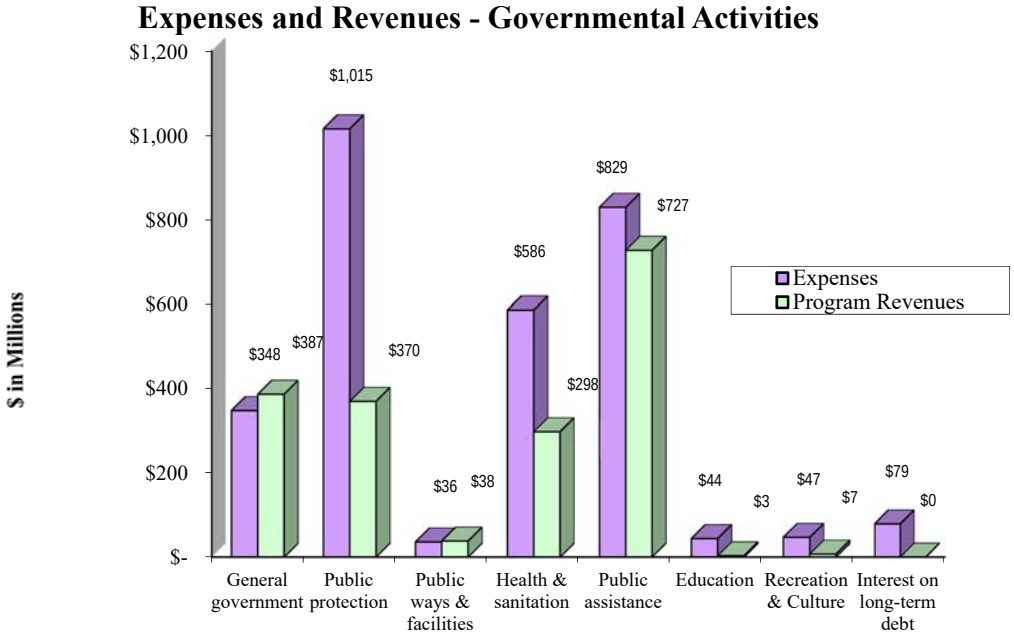


Governmental activities

Governmental activities increased the County's net position by $1.19 billion due to an excess of revenues over expenses by $387.5 million, and a special item transfer of capital assets and associated restricted assets and obligations from SCVMC to governmental activities (see Note (1)(r)) in the amount of $900.2 million. Furthermore, net transfers of $98.3 million were made to the business-type activities primarily for providing operating support to SCVMC.

As an arm of the state government, the County provides various mandated services, such as public assistance, public health, and mental health. Revenues directly generated by, or attributable to, a specific governmental function are called program revenues. These include charges for services and restrictive (program specific) grants and contributions, both operating and capital.

The following chart shows the County's program revenues and expenses for the year. Not included in this chart are the general revenues: taxes (property, business, and sales), unrestricted grants, investment income, gain on sale of capital assets, and other revenue. These general revenues are not shown by program, but are available to support the program activities countywide.



Changes in the County's net position from its governmental activities are explained in the context of changes in revenues and expenses:

Table 2—The Change in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2016	2017	2016	2017	2016	2017	Dollar Change	Percent Change
Revenues:								
Program revenues:								
Charges for services	$ 274,983	$ 264,563	$ 1,776,846	$ 1,896,860	$ 2,051,829	$ 2,161,423	$ 109,594	5.3%
Operating grants and contributions	1,457,829	1,559,107	138,011	120,844	1,595,840	1,679,951	84,111	5.3%
Capital grants and contributions	5,074	6,652	-	-	5,074	6,652	1,578	31.1%
General revenues:								
Property taxes	1,190,229	1,237,680	-	-	1,190,229	1,237,680	47,451	4.0%
Sales and use taxes	54,632	55,353	5,831	4,732	60,463	60,085	(378)	(0.6%)
Other taxes	33,932	43,578	-	-	33,932	43,578	9,646	28.4%
Unrestricted grants & contributions	76,104	122,593	-	-	76,104	122,593	46,489	61.1%
Unrestricted investment income	18,501	11,232	4,671	4,286	23,172	15,518	(7,654)	(33.0%)
Other revenue	58,529	71,429	-	-	58,529	71,429	12,900	22.0%
Total revenues	3,169,813	3,372,187	1,925,359	2,026,722	5,095,172	5,398,909	303,737	6.0%
Program expenses:								
General government	294,656	348,256	-	-	294,656	348,256	53,600	18.2%
Public protection	915,449	1,014,740	-	-	915,449	1,014,740	99,291	10.8%
Public ways and facilities	42,629	35,802	-	-	42,629	35,802	(6,827)	(16.0%)
Health and sanitation	570,769	585,886	-	-	570,769	585,886	15,117	2.6%
Public assistance	780,791	829,160	-	-	780,791	829,160	48,369	6.2%
Education	38,987	44,092	-	-	38,987	44,092	5,105	13.1%
Recreation and culture	45,574	47,459	-	-	45,574	47,459	1,885	4.1%
Interest on long-term liabilities	53,300	79,283	-	-	53,300	79,283	25,983	48.7%
Healthcare	-	-	1,910,014	2,078,723	1,910,014	2,078,723	168,709	8.8%
Airport	-	-	2,736	2,681	2,736	2,681	(55)	(2.0%)
Sanitation	-	-	2,626	3,371	2,626	3,371	745	28.4%
Total expenses	2,742,155	2,984,678	1,915,376	2,084,775	4,657,531	5,069,453	411,922	8.8%
Excess (deficiency) before transfers and special items	427,658	387,509	9,983	(58,053)	437,641	329,456	(108,185)	(24.7%)
Transfers	(136,995)	(98,308)	136,995	98,308	-	-	-	
Special items - transfers of capital assets and related items (Note (1)(r))	-	900,175	-	(900,175)	-	-	-	
Change in net position	290,663	1,189,376	146,978	(859,920)	437,641	329,456	(108,185)	(24.7%)
Net position, beginning of year	(1,493,904)	(1,203,241)	(41,286)	105,692	(1,535,190)	(1,097,549)	437,641	(28.5%)
Net position, end of year	$ (1,203,241)	$ (13,865)	$ 105,692	$ (754,228)	$ (1,097,549)	$ (768,093)	$ 329,456	(30.0%)

Revenues

The total revenues for the County's governmental activities increased by $202.4 million or 6.4 percent to $3.37 billion. Program revenues increased by $92.4 million or 5.3 percent, while general revenues increased by $109.9 million or 7.7 percent. Over the past three years, the County's program revenues from its governmental activities have contributed about 62.7 percent of the cost of running those governmental programs. General revenues support the programs by covering the remaining 37.3 percent of costs.

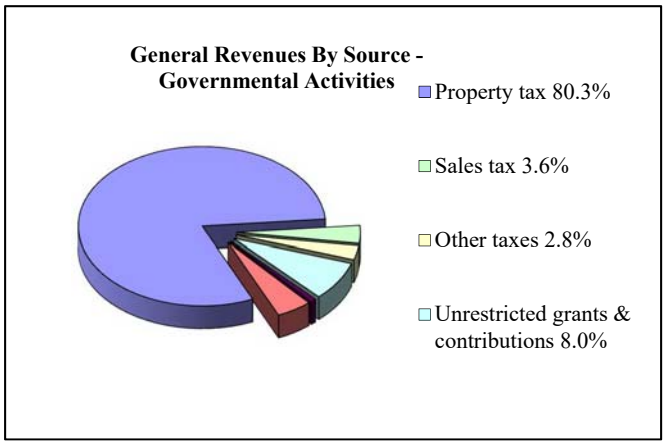
The largest source of program revenues for the County's governmental activities is federal and state grants and contributions, both operating and capital. These revenues amount to 85.6 percent of the County's program revenues and 46.4 percent of its total revenues. For the year, operating grants increased by $101.3 million and capital grants increased by $1.6 million, while charges for services decreased by $10.4 million. The reasons for these changes will be discussed in the governmental funds section.

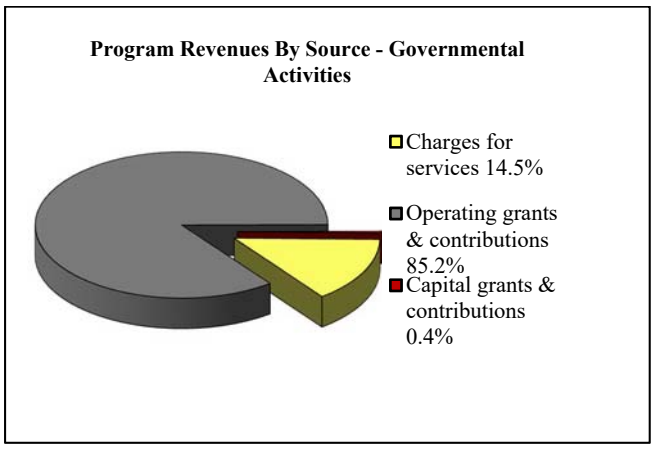
The County's governmental activities' general revenues increased by $109.9 million or 7.7 percent. General revenues are not directly related to governmental programs and include: taxes (property, business, and sales), unrestricted grants, investment income, and other revenues. General revenues support government programs by defraying costs, which programs cannot cover from their own revenues. Tax revenues are the County's second largest revenue source - grants and contributions being the largest. The County earned $1.34 billion in tax revenues (property tax, sales and use tax, and other taxes) for the current year. This is approximately 86.7 percent of the general revenues and 39.6 percent of the total revenues. These general revenues provide the Board of Supervisors (the Board) with most of its discretionary spending ability. The reasons for these changes will be discussed in the governmental funds section.

The County's general revenues increased by $109.9 million and was attributable mainly to:

- Increase of $47.5 million in property taxes primarily due to an 8.2 percent increase in total property assessed values. This resulted in an increase in secured and unsecured property taxes by $48.7 million, $3.2 million in property tax collection to pay for General Obligation Bonds. There were increases of $18.1 million in property tax in lieu of vehicle license fee and $2.4 million in the residual distributions from the Redevelopment Property Tax Trust Fund (RPTTF). Other property taxes increased by $11.7 million due to increase in proceeds received from the Redevelopment Agency of City of Santa Clara from a significant property sale. The increases were offset by a decrease of $36.6 million in revenues received from the Education Revenue Augmentation Funds (ERAF) as a result of the changes in the State's funding for schools.
- Increase of $9.6 million in other taxes mainly due to the increase in 1991 State health realignment from motor vehicle license fee.
- Increase of $56.8 million in unrestricted grants and contributions mainly due to repayments of past-due amounts owed by the City of San Jose for redevelopment purposes.

These topics will be discussed in Financial Analysis of the County's Funds section on page 15.





Expenses and Transfers

Expenses for governmental activities increased by $242.5 million or 8.8 percent. All categories experienced higher costs than in the prior year. The primary reasons for the changes are explained below:

General Government increased by $53.6 million or 18.2 percent due to the following:

- Increase of $25.2 million in salaries and benefits across functions resulting from a 6.4 percent increase in staffing, 3.0 to 4.0 percent countywide salary increase coupled with a rise in health insurance rates and employee retirement plan contribution rates.
- Increase of $7.9 million in expenses for supporting various County-wide Information Technology projects including upgrade or replacement of systems and equipment for more efficient and reliable infrastructures and services, and higher level of security and privacy protection; and development of a new public safety and justice IT infrastructure to replace the current Criminal Justice Information Control System.
- An increase in service charges of $6.6 million for the Facilities and Fleet Department. The increase provided adequate resources for the department to respond to critical facility maintenance and improvement needs after years of decreased funding and minimal additions. In addition, in order to cope with the increased number of projects, 18 new positions were added for various functions such as maintenance management, janitorial services, building inspection, lease oversight, planning, construction and maintenance.

Public Protection increased by $99.3 million or 10.8 percent due to the following:

- Increase of $74.3 million in salaries and benefits resulting from a 2.0 percent increase in staffing, 3.0 to 4.0 percent countywide salary increase, coupled with a rise in health insurance rates and employee retirement plan contribution rates.
- Increase of $11.3 million in intra-County charges by the Health and Hospital System to the Department of Correction and Probation Department for medical services provided to inmates in County jails and children in probation facilities as a result of increased medical costs and higher demand for services.
- With the launching of new programs in the Neighborhood Safety/Services Unit and Commercially Sexually Exploited Children Screenings Unit of the Probation Department, expenses increased by $4.2 million mainly on contract services with consultants, service providers, and community partners.
- Increase of $3.9 million in expenses for the Sheriff's Office due to increase in intra-County auto service charges resulted from an increase in the usage and number of patrol cars from 19 to 27 as Sheriff patrol services were increased for its contract customers. Other factors contributing to the increase included purchase of body worn cameras and evidence management system accessories.

Public Assistance increased by $48.4 million or 6.2 percent primarily due to the following:

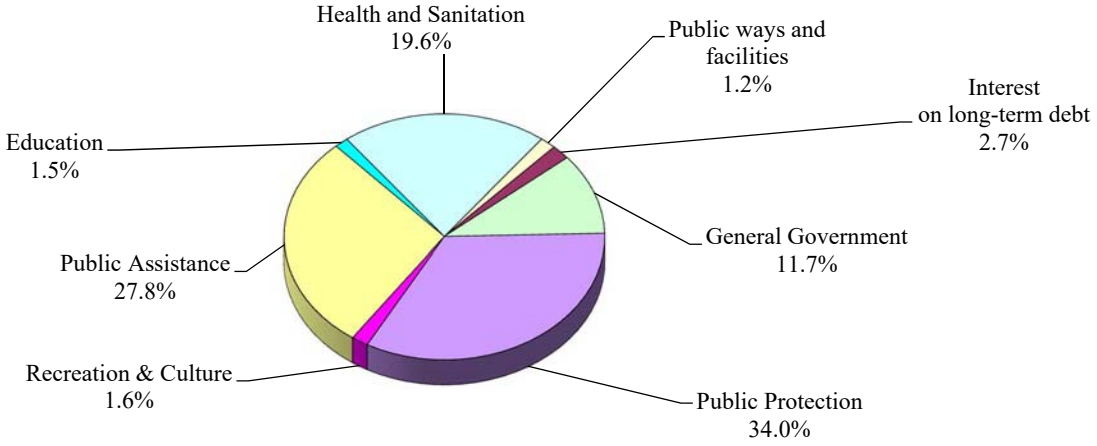
- Increase of $28.5 million in salaries and benefits resulting from a 2.3 percent increase in staffing, 3.0 to 4.0 percent countywide salary increase, coupled with a rise in health insurance rates and employee retirement plan contribution rates.
- With County's high priority to increase the supply of housing that is affordable to extremely low income populations, and to increase the scope and breadth of supportive housing for the special needs populations, the Office of Supportive Housing had a significant rise in expenses. In particular, a service agreement with Abode Services increased by $17.5 million for rental assistance and housing programs.

Transfers decreased by $38.7 million or 28.2 percent. This decrease was due to a transfer during the prior fiscal year of a $50.8 million newly completed health clinic to SCVMC from governmental activities offset by a $16.4 million increase in General Fund subsidy to SCVMC.

A special item of $900.2 million occurred in fiscal year 2017 as discussed previously (see Note (1)(r)).

The following chart shows the County's expenses by functional category for the governmental activities.

Expenses By Function/Program - Governmental Activities



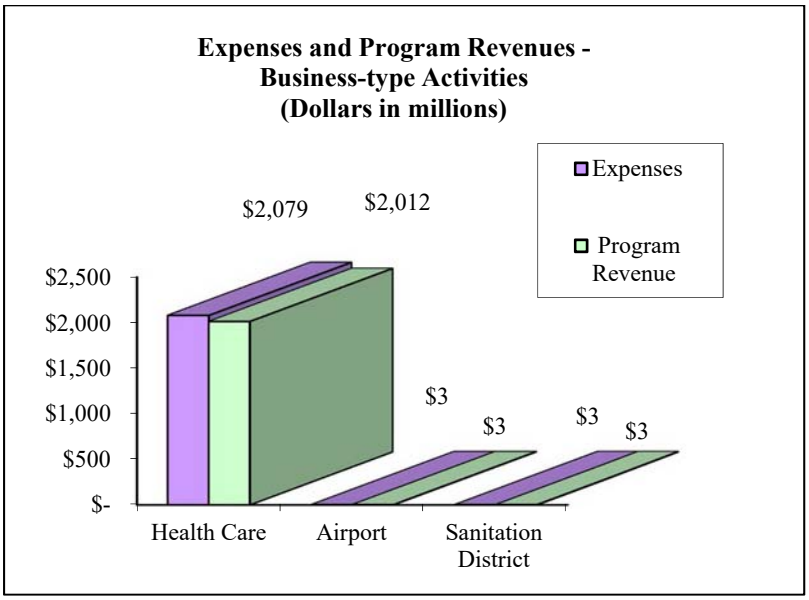
Business-type activities

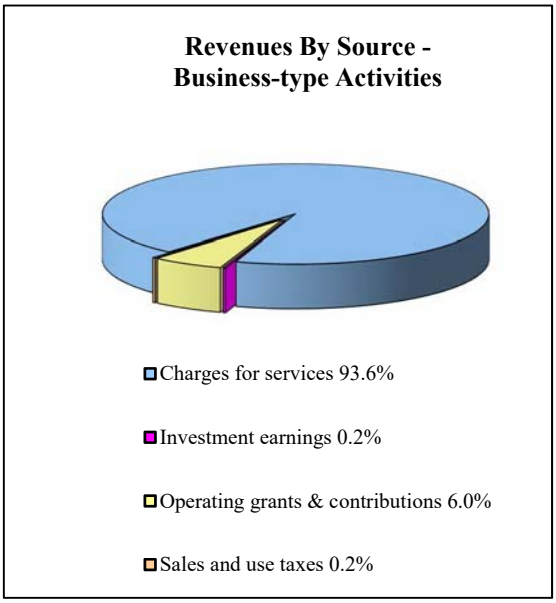
The business-type activities decreased the County's net position by $859.9 million. Expenses exceeded revenue by $58.1 million. A special item transfer of capital assets and associated restricted assets and obligations from SCVMC to governmental activities (see Note (1)(r)) in the amount of $900.2 million. In addition, the SCVMC received net transfers of $98.3 million as an operating subsidy from the County's General Fund.

The largest of the County's business-type activities, healthcare operations, had $2.08 billion in expenses and $2.01 billion in program revenues for the year. This is about 99.7 percent of the program revenues of all business-type activities. The reasons for these revenues and expenses changes will be discussed in the enterprise funds area. In addition, transfers decreased by $38.7 million primarily due to a transfer during the prior fiscal year of a newly completed health clinic to SCVMC. A similar transfer did not occur this fiscal year.

The other enterprise operations - airport and sanitation district - are very small in size and did not change appreciably in the year.

The first chart below shows expenses and revenues by each business activity, while the second chart shows revenues by source for the business activities.





FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. When applicable, prior year numbers have been reclassified to make them comparable to the current year.

Governmental funds

The general government's functions are reported in the general, special revenue, debt service, and capital project funds. The focus of these *governmental funds* is to provide information on near-term inflows, outflows, and balances of *unrestricted resources.* Such information is useful in assessing the County's financing resources. In particular, unassigned fund balance at the end of the fiscal year can serve as a useful measure of the County's net resources available for spending.

On June 30, 2017, the County's governmental funds reported total fund balances of $1.59 billion, an increase of $310.4 million or 24.2 percent from the prior year. Approximately 61.1 percent of the combined fund balance, $973.3 million, constitutes fund balance that is available to meet the County's current and future needs (committed, assigned and unassigned). The remainder of the fund balance totaling $619.3 million is either in non-spendable form or restricted for specific spending. This includes $7.3 million in items that are not expected to be converted to cash (for example: inventories, prepaid amounts, and long-term notes receivable) and $612.0 million restricted for programs or other purposes.

For its governmental funds, the County's total revenues for the current fiscal year were $3.37 billion—an increase of $224.4 million or 7.1 percent from the prior year. Total governmental fund expenditures increased by $201.6 million, or 7.0 percent, to $3.08 billion for the year. Primary reasons for these changes in revenues and expenditures for the governmental funds are explained in the framework of individual funds.

The General Fund is the chief operating fund of the County. Its unassigned fund balance was $572.3 million on June 30, 2017, while its total fund balance was $796.5 million, an $84.4 million increase over the prior year. This was mainly due to an excess of revenues over expenditures of $289.5 million for the fiscal year, which was offset by $205.1 million in transfers to other County funds and other financing sources. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance and the total fund balance represent 22.1 percent and 30.7 percent of the total General Fund expenditures on June 30, 2017, respectively.

The non-spendable and restricted portions of the General Fund's fund balance were $7.0 million and $120.1 million, respectively. The remaining fund balance constitutes the spendable portion, which was $669.4 million. Of this amount, $572.3 million was unassigned fund balance. The remaining portions of spendable fund balance included $73.8 million of committed fund balance and $23.3 million of assigned fund balance. The committed portion represents amounts set aside by the County's highest level of decision-making authority, the Board of Supervisors, for specific purposes. The assigned amounts include items earmarked by County management and include litigation reserves, amounts encumbered for future purchases, and amounts to be used for future operations.

General Fund revenues and expenditures for the fiscal year were $2.88 billion and $2.59 billion, respectively. While its revenues increased by $200.4 million or 7.5 percent for the year, its expenditures increased by $205.9 million or 8.6 percent. The General Fund's revenues by sources and expenditures by function as well as changes from the prior fiscal year are presented below:

Table 3—General Fund Revenue Classified by Source (in thousands)

	FY 2016		FY 2017		Increase/(Decrease)	
Revenues by source	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	$ 1,030,091	38.4%	$ 1,062,257	36.9%	$ 32,166	3.1%
Licenses and permits	15,105	0.6%	16,171	0.6%	1,066	7.1%
Fines, forfeitures and penalties	47,133	1.8%	53,337	1.9%	6,204	13.2%
Interest and investment income	19,187	0.7%	18,637	0.6%	(550)	(2.9%)
Intergovernmental revenues	1,418,671	52.9%	1,574,137	54.6%	155,466	11.0%
Charges for services	122,828	4.6%	123,734	4.3%	906	0.7%
Other revenue	26,829	1.0%	31,947	1.1%	5,118	19.1%
Total	$ 2,679,844	100.0%	$ 2,880,220	100.0%	$ 200,376	7.5%

Table 4—General Fund Expenditures by Function (in thousands)

	FY 2016		FY 2017		Increase/(Decrease)	
Expenditures by function	Amount	Percent	Amount	Percent	Amount	Percent
General government	$ 245,506	10.3%	$ 294,931	11.4%	$ 49,425	20.1%
Public protection	781,048	32.8%	856,055	33.0%	75,007	9.6%
Public ways and facilities	3,138	0.1%	2,550	0.1%	(588)	(18.7)%
Health and sanitation	544,154	22.8%	558,628	21.6%	14,474	2.7%
Public assistance	783,194	32.8%	844,753	32.6%	61,559	7.9%
Capital outlay	6,949	0.3%	6,051	0.2%	(898)	(12.9)%
Debt service:						
Principal retirement	11,328	0.5%	17,839	0.7%	6,511	57.5%
Interest and fiscal charges	9,561	0.4%	9,931	0.4%	370	3.9%
	$ 2,384,878	100.0%	$ 2,590,738	100.0%	$ 205,860	8.6%

Our analysis of the County's governmental activities identified key reasons for changes in its revenues and expenditures. This helps explain significant changes in the General Fund because it is the chief operating fund of the County. The General Fund's revenues and expenditures respectively cover 85.5 percent and 84.1 percent of the County's total current year revenues and expenditures of all governmental funds. For this reason, we will briefly mention the points that were elaborated upon in our earlier discussion of the countywide revenues and expenses.

Tax revenues increased by $32.2 million or 3.1 percent over the prior fiscal year. As the real estate market remained strong, total property assessed value grew by 8.2 percent resulting in an increase of $32.2 million in secured and unsecured property taxes. Other property taxes increased by $16.0 million, which was due to increase in proceeds received from the Redevelopment Agency of City of Santa Clara from a significant property sale. Other factors contributing to the increase in tax revenue included an increase of $18.1 million in property tax in lieu of vehicle license fee and $2.4 million in residual distributions from the Redevelopment Property Tax Trust Fund (RPTTF) resulting from further redevelopment winddown activities. The increases were offset by a decrease of $36.6 million in revenues received from the Educational Revenue Augmentation Funds (ERAF) as a result of the changes in the State's funding for schools.

Fines, forfeitures, and penalties increased by $6.2 million or 13.2 percent. In the past, some of these amounts were diverted for bond payments related to court and jail facility construction. Such bonds were paid off last fiscal year, resulting in increased amounts for this revenue category.

Intergovernmental revenues increased by $155.5 million or 11.0 percent. This was due to an increase in the San Jose Redevelopment Agency Pass-Through of $61.5 million which was due in prior fiscal years but subsequently received this fiscal year. In addition, the County experienced increases of $36.9 million in 2011 State Realignment for Behavioral Health and Enhancing Law Enforcement Activity; $51.6 million for Federal and State funding for CalWorks, Medical Assistance Program, and Title IV-E Waiver; and $9.7 million in State Motor Vehicle In-Lieu taxes. The increases were offset by a decrease in revenue of $3.9 million from State Mandated costs reimbursements.

Key reasons for changes in General Fund expenditures are explained in the earlier discussion on the countywide governmental programs and activities.

Enterprise funds

The County's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of June 30, 2017, the County's net position in its enterprise funds was negative $662.4 million. The net investment in capital assets was $79.8 million. The unrestricted net position was negative $742.2 million. The net position of the County's enterprise funds decreased by $884.3 million for the year. Primary reasons for the change in net position are explained in the framework of individual enterprise funds.

SCVMC is the largest enterprise fund and its revenues and expenses comprise 74.6 percent of the total operating revenues and 75.4 percent of the total operating expenses for all enterprise funds. Valley Health Plan is the second largest and its revenues and expenses comprise 25.1 percent of the total operating revenues and 24.3 percent of the total operating expenses for all enterprise funds. The other two enterprise funds - Airports and Sanitation District - are very small in comparison.

The change in net position for SCVMC was negative $884.7 million in fiscal year 2017. Operating revenues increased by $110.9 million or 8.0 percent and operating expenses increased by $190.1 million or 13.7 percent. Many factors contributed to the increase in operating revenues including: (1) an 8.0 percent increase in rates with an update to the charge master file; (2) $16.9 million revenues for the new Whole Person Care program; (3) $19.1 million increase in outpatient pharmacy revenues due to the program expansion; (4) recognition of $107.2 million in Medicaid Coverage Expansion (MCE) program to cost revenues, including $26.0 million for fiscal year 2016; and (5) other one-time increased contribution and donations.

Factors that contributed to the increase in operating expenses include: (1) payroll increased by 13.3 percent due to salary increases, higher benefit costs, and additional staffing for the San Jose Downtown Health Clinic; (2) pharmacy costs increased by $19.4 million due to higher costs for specialty drugs; (3) information technology support costs increased due to system upgrades activities; (4) $21.4 million increase in outside medical costs due to service demands exceeding capacity; (5) The net capital contributions and transfers were $98.3 million for the year.

The change in net position for Valley Health Plan was $0.6 million in fiscal year 2017. Operating revenues decreased by $8.2 million or 1.6 percent and operating expenses increased by $2.7 million or 0.5 percent.

There were no significant changes to the net position for the Airports and Sanitation District during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget appropriations for 2017 were $3.4 billion, which was $131.6 million or 4.0 percent higher than the original budget adopted by the Board. Occasionally, unexpected events may cause the County to commit one-time reserves or use ongoing resources to pay for those unplanned events. Differences between the original and final budgets represent supplemental appropriations approved by the Board for various new grants received by the County or to pay for increased service level that was not expected when the original budget was approved.

General fund revenues and expenditures were less than the budgetary estimates for the year. Estimated revenues for the year exceeded actual revenues by $221.6 million or 7.0 percent. The Licenses and Permits and Charges for Services revenues, and Interfund Transfers came in lower than estimates. Final budgetary appropriations exceeded actual expenditures by $566.0 million or 16.5 percent for the year. These cost savings resulted from unspent appropriations of: a) $50.6 million in salaries and benefits costs due to unfilled vacant positions; b) $266.6 million in services and supplies costs for government programs; c) $5.9 million in capital outlay; d) $12.0 million for Supportive Housing Predevelopment Loan program; e) $22.6 million for the Whole Person Care program; f) $19.3 million cash reserve; g) $198.9 million remaining in contingency reserves. The overall unspent appropriation discussed above was offset by the reimbursements from General Fund departments of $12.8 million.

The General Fund budgetary comparison schedule starts on page 119 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As shown in Table 5 below, the County's investment in capital assets (net of accumulated depreciation) as of June 30, 2017 was $2.66 billion.

Table 5—Capital Assets (Net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Dollar	Percent
	FY2016	FY 2017	FY2016	FY 2017	FY2016	FY 2017	Change	Change
Land	$ 271,894	$ 298,449	$ 6,310	$ 6,310	$ 278,204	$ 304,759	$ 26,555	9.5%
Construction in progress	206,326	971,696	663,558	21,358	869,884	993,054	123,170	14.2%
Infrastructure	205,489	206,346	-	-	205,489	206,346	857	0.4%
Buildings & improvements	505,864	974,504	505,214	11,133	1,011,078	985,637	(25,441)	(2.5%)
Equipment, software, and vehicles	72,763	76,984	95,764	90,174	168,527	167,158	(1,369)	(0.8%)
Total	$ 1,262,336	$ 2,527,979	$ 1,270,846	$ 128,975	$ 2,533,182	$ 2,656,954	$ 123,772	4.9%

The County's net capital assets increased by $123.8 million or 4.9 percent for the year. Net capital assets for the governmental activities increased significantly by $1.27 billion or 100.3 percent, while the business-type activities' net capital assets decreased by $1.14 billion or 89.9 percent. Changes in capital assets by activity type were as follows:

Governmental activities
The County's capital assets for its governmental activities rose by $1.27 billion mainly due to:

- Land increased by $26.6 million from the acquisition of the properties expanding the Coyote Lake Harvey Bear Ranch County Park.
- Construction in progress increased by $765.4 million due to the following projects:
  - Various roads projects including bridge rehabilitation, and road maintenance and improvements - $7.0 million
  - Solar panel construction projects and improvements to County buildings and correctional facilities - $34.0 million
  - Seismic Safety Project for medical facilities at SCVMC - $725.0 million
- Building and improvements increased by $468.6 million mainly due to the one-time transfer of buildings from SCVMC to governmental activities (see Note (1)(r)).
- Equipment, software, and vehicles increased by $4.2 million primarily due to the further development of to the Tax Collection and Apportionment System and Ariba procure-to-pay system.

Business-type activities
Net capital assets for business-type activities decreased by $1.14 billion for the year. This decrease was mainly due to the one-time transfer of buildings and improvements from SCVMC to governmental activities (see Note (1)(r)).

Commitment of Resources for Construction Work in Progress
On June 30, 2017, the County had committed $85.4 million of its net position from the governmental activities, and $0.7 million of its net position from the business-type activities, for various uncompleted capital projects included in the construction in progress.

Additional information on the County's capital assets can found in Note 6 on page 61 of this report.

Long-term debt

The County's long-term outstanding debt as of June 30, 2017 was $2.12 billion as shown in Table 6 below:

Table 6—Outstanding Debt (in thousands)

	Governmental Activities		Business-type Activities		Total		Dollar	Percent
	FY2016	FY 2017	FY2016	FY 2017	FY2016	FY 2017	Change	Change
Taxable pension funding bonds	$ 420,365	$ 419,947	$ -	$ -	$ 420,365	$ 419,947	$ (418)	(0.1%)
General obligation bonds	839,150	829,632	-	-	839,150	829,632	(9,518)	(1.1%)
Lease revenue bonds	194,774	588,639	498,248	56,459	693,022	645,098	(47,924)	(6.9%)
Capital appreciation bonds	176,589	187,172	-	-	176,589	187,172	10,583	6.0%
Certificates of participation	2,984	-	-	-	2,984	-	(2,984)	(100.0%)
New Clean Renewable Energy Bonds	33,000	33,000	-	-	33,000	33,000	-	0.0%
Capital lease obligations	3,347	2,541	-	-	3,347	2,541	(806)	(24.1%)
Total	$ 1,670,209	$ 2,060,931	$ 498,248	$ 56,459	$ 2,168,457	$ 2,117,390	$ (51,067)	(2.4%)

The County's long-term debt decreased by $51.1 million mainly due to scheduled debt repayments for lease revenue bonds of $43.1 million and general obligation bonds of $7.7 million, amortization of bond premium of $6.4 million, and prepayment for the certificates of participation of $3.0 million. These were offset by $10.6 million in accreted interest for Tobacco Settlement Asset-Backed bonds.

The increase in outstanding debt for governmental activities and the corresponding decrease for business-type activities was due to the one-time transfer of capital assets and associated debts from SCVMC to the County.

Additional information on the County's long-term debt can be found in Note 8 on page 66 of this report.

For its outstanding debt, Standard & Poor's (S&P) has maintained an AA+ rating on the County's existing lease revenue bonds and pension obligation bonds. In addition, S&P has maintained the County's general obligation rating of AAA. Both ratings are the highest possible long-term ratings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County of Santa Clara has continued to experience growth in both revenues and expenditures. The County's budget for the upcoming year continues this trend with a projected 7.3 percent increase in revenue and a 6.6 percent increase in net expenditures. Budgeted expenditures exceed budgeted revenue by $405.8 million in fiscal year 2018. The deficit is expected to be covered by available fiscal year 2017 fund balance.

The following economic factors were considered in the County's fiscal year 2018 budget:

- The County's unemployment rate continued to decline. The rate for June 2017 was 3.5 percent which indicated a slight decrease of 0.5 percent from 4.0 percent in June 2016. In comparison, the statewide unemployment rate for June 2017 was 4.9 percent, a decrease of 0.8 percent from the prior year at 5.7 percent.
- The real per capita income (a measure of wealth creation) as of March 2016 (most current available data) increased from $74,883 to $82,756. The real per capita income on a national level is $49,827, an increase of $2,212 from the prior year.
- Housing prices continued to grow strongly for a sixth straight year. This was demonstrated by the median price for single family homes, which increased to $1,183,400, a 9.1 percent increase from a year ago. This increase was fueled by tight inventory of homes for sale, low mortgage interest rates, and buyer demand.
- Venture capital investment, a leading indicator of innovation and long-term development, decreased significantly by $11.2 billion, or 15.9 percent, in fiscal year 2017 compared to fiscal year 2016. Silicon Valley and San Francisco regions, taken together, accounted for 41.2 percent of the national total and 83.5 percent of the State's total. High technology including software, biotechnology, media and entertainment, information technology services, and medical devices and equipment attracted the largest funding.
- Research and development, office, and warehouse space occupancy are leading indicators of economic activity. The vacancy rate for office space increased significantly to 9.2 percent in June 2017 from 6.4 percent last year. The vacancy rate for research and development space dropped slightly to 7.9 percent in June 2017 versus 8.4 percent in prior year. The vacancy rate for warehouse space remained steady at 2.1 percent in June 2017 compared to 2.2 percent in June 2016.
- Assessed value for real property, which increased by 8.2 percent, contributed to an increase of $29.3 million in current secured property tax revenue. The current unsecured tax revenue increased by 8.5 percent, or $2.9 million, from the prior year. The property tax delinquencies on secured property decreased slightly from 0.6 percent in fiscal year 2016 to 0.4 percent in fiscal year 2017. Property tax (transfer tax) revenue increased by 0.6 percent or $0.2 million. Supplemental tax revenues increased by 12.1 percent or $2.1 million. The fiscal year 2018 budget assumes a 7.3 percent increase in secured property assessed value, which corresponds to an increase of $65.5 million in property tax value.

The fiscal year 2018 Countywide expenditure budget of $6.5 billion included a 6.9 percent increase compared to the prior year's budget. This increase was due to the increased spending for the County's correctional facilities and programs, support service for the homeless, the creation of affordable housing, and continued commitment towards the restoration and enhancement of administrative infrastructure.

The fiscal year 2018 budget sets aside $142.3 million in contingency reserves. Operating reserve designations and the strategic reserve designations are part of the financial resources that are available to address unanticipated revenue shortfalls or unforeseen expenditures. These designations provide a primary defense against deficit spending and help maintain liquidity when budgeted draw-downs become necessary.

COUNTY OF SANTA CLARA

Statement of Net Position

June 30, 2017
(In thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Cash and investments	$ 1,909,753	$ 355,210	$ 2,264,963	$ 516,497
Receivables, net of allowance for uncollectibles	129,645	174,220	303,865	482,113
Internal balances	94,767	(94,767)	-	-
Due from other governmental agencies and others, net	307,203	204,316	511,519	97,505
Receivables from related parties and component units	-	-	-	99,730
Inventories	4,078	23,234	27,312	-
Other assets	7,856	13,402	21,258	42,507
Restricted cash and investments	173,657	8,029	181,686	26,290
Net pension asset	-	-	-	4,742
Net OPEB asset	-	-	-	1,557
Capital assets:				
Nondepreciable	1,270,145	27,668	1,297,813	81,168
Depreciable, net of accumulated depreciation	1,257,834	101,307	1,359,141	365,105
Total assets	5,154,938	812,619	5,967,557	1,717,214
Deferred outflows of resources:				
Pension related items	574,488	279,969	854,457	12,146
Unamortized loss on refunding debt	17,745	-	17,745	-
Deferred outflows on derivative instruments	16,452	-	16,452	-
Total deferred outflows of resources	608,685	279,969	888,654	12,146
Liabilities:				
Accounts payable	151,735	111,419	263,154	58,196
Accrued salaries and benefits	65,409	37,437	102,846	674
Accrued liabilities	45,522	75,704	121,226	105,663
Due to other governmental agencies	167,730	255,111	422,841	551,256
Due to related parties	-	-	-	114,676
Unearned revenue	107,868	17,585	125,453	1,403
Noncurrent liabilities:				
Due within one year	116,833	22,253	139,086	7,943
Due in more than one year	2,301,001	121,436	2,422,437	252,437
Net OPEB obligation	296,989	-	296,989	-
Net pension liability	2,415,326	1,169,107	3,584,433	6,857
Derivative instruments liabilities	16,452	-	16,452	-
Total liabilities	5,684,865	1,810,052	7,494,917	1,099,105
Deferred inflows of resources:				
Pension related items	76,771	36,764	113,535	1,540
Deferred service concession arrangement receipts	15,852	-	15,852	-
Total deferred inflows of resources	92,623	36,764	129,387	1,540
Net position:				
Net investment in capital assets	1,032,918	79,832	1,112,750	216,426
Restricted for:				
Debt service	14,503	-	14,503	-
Parks	58,819	-	58,819	-
Housing programs	91,424	-	91,424	-
Roads	21,604	-	21,604	-
Mental health	153,700	-	153,700	-
Other purposes	199,781	-	199,781	24,560
Unrestricted	(1,586,614)	(834,060)	(2,420,674)	387,729
Total net position	$ (13,865)	$ (754,228)	$ (768,093)	$ 628,715

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Activities

For the Fiscal Year Ended June 30, 2017
(In thousands)

			Program Revenues		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/program activities:					
Primary government:					
Governmental activities:					
General government	$ 407,372	$ (59,116)	$ 101,094	$ 286,445	$ -
Public protection	1,011,890	2,850	101,508	268,656	-
Public ways and facilities	34,654	1,148	3,482	28,087	6,652
Health and sanitation	585,886	-	46,547	250,201	-
Public assistance	823,516	5,644	4,488	723,019	-
Education	43,537	555	605	2,154	-
Recreation and culture	45,860	1,599	6,839	545	-
Interest on long-term liabilities	79,283	-	-	-	-
Total governmental activities	3,031,998	(47,320)	264,563	1,559,107	6,652
Business-type activities:					
Healthcare	2,031,452	47,271	1,891,069	120,844	-
Airport	2,632	49	2,669	-	-
Sanitation	3,371	-	3,122	-	-
Total business-type activities	2,037,455	47,320	1,896,860	120,844	-
Total primary government	$ 5,069,453	$ -	$ 2,161,423	$ 1,679,951	$ 6,652
Component units	$ 1,686,177		$ 1,725,804	$ 73,533	$ 20,927

General revenues:
- Property taxes
- Sales and use taxes
- Other taxes
- Unrestricted intergovernmental - motor vehicle in lieu of taxes
- Grants/contributions not restricted to specific programs
- Investment income
- Other:
  - Penalties on delinquent taxes
  - Tobacco settlement revenues
  - Miscellaneous revenues

Transfers

Special items - Transfer of capital assets and related balances (Note 1(r))

Total general revenues, transfers, and special items

Change in net position

Net position, beginning of year

Net position, end of year

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
				Function/program activities:
				Primary government:
				Governmental activities:
$ 39,283	$ -	$ 39,283	$ -	General government
(644,576)	-	(644,576)	-	Public protection
2,419	-	2,419	-	Public ways and facilities
(289,138)	-	(289,138)	-	Health and sanitation
(101,653)	-	(101,653)	-	Public assistance
(41,333)	-	(41,333)	-	Education
(40,075)	-	(40,075)	-	Recreation and culture
(79,283)	-	(79,283)	-	Interest on long-term liabilities
(1,154,356)	-	(1,154,356)	-	Total governmental activities
				Business-type activities:
-	(66,810)	(66,810)	-	SCVMC
-	(12)	(12)	-	Airport
-	(249)	(249)	-	Sanitation
-	(67,071)	(67,071)	-	Total business-type activities
(1,154,356)	(67,071)	(1,221,427)	-	Total primary government
-	-	-	134,087	Component units
				General revenues:
1,237,680	-	1,237,680	-	Property taxes
55,353	4,732	60,085	-	Sales and use taxes
426	-	426	-	Other taxes
43,152	-	43,152	-	Unrestricted intergovernmental - motor vehicle in lieu of taxes
122,593	-	122,593	-	Grants/contributions not restricted to specific programs
11,232	4,286	15,518	5,340	Investment income
				Other:
33,642	-	33,642	-	Penalties on delinquent taxes
15,794	-	15,794	-	Tobacco settlement revenues
21,993	-	21,993	3,882	Miscellaneous revenues
(98,308)	98,308	-	-	**Transfers**
900,175	(900,175)	-	-	**Special items - Transfer of capital assets and related balances**
2,343,732	(792,849)	1,550,883	9,222	Total general revenues, transfers, and special items
1,189,376	(859,920)	329,456	143,309	Change in net position
(1,203,241)	105,692	(1,097,549)	485,406	Net position, beginning of year
$ (13,865)	$ (754,228)	$ (768,093)	$ 628,715	Net position, end of year

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Balance Sheet
Governmental Funds

June 30, 2017
(In thousands)

	General Fund	Other Governmental Funds	Total
Assets:			
Cash and investments:			
Unrestricted	$ 953,349	$ 741,648	$ 1,694,997
Restricted with fiscal agents	-	9,853	9,853
Other restricted	56	153,790	153,846
Receivables:			
Property taxes	4,824	-	4,824
Other, net of allowance for uncollectibles	21,022	92,893	113,915
Due from other funds	76,477	4,210	80,687
Due from other governmental agencies, net	299,937	6,791	306,728
Inventories	2,627	360	2,987
Other assets	3,940	399	4,339
Advances to other funds	399	-	399
Total assets	$ 1,362,631	$ 1,009,944	$ 2,372,575
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable	$ 112,693	$ 23,572	$ 136,265
Accrued salaries and benefits	55,734	7,171	62,905
Other accrued liabilities	4,807	16,185	20,992
Due to other funds	891	75,545	76,436
Due to other governmental agencies	167,039	689	167,728
Advances from other funds	-	399	399
Unearned revenue	106,494	1,091	107,585
Total liabilities	447,658	124,652	572,310
Deferred inflows of resources:			
Unavailable revenue	118,449	89,217	207,666
Total deferred inflows of resources	118,449	89,217	207,666
Fund balances:			
Nonspendable	6,966	361	7,327
Restricted	120,143	491,814	611,957
Committed	73,790	266,186	339,976
Assigned	23,356	49,614	72,970
Unassigned	572,269	(11,900)	560,369
Total fund balances	796,524	796,075	1,592,599
Total liabilities, deferred inflows of resources, and fund balances	$ 1,362,631	$ 1,009,944	$ 2,372,575

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Position - Governmental Activities

June 30, 2017
(In thousands)

Fund balances - total governmental funds (page 26)		$ 1,592,599
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,509,692
Loss on bond refundings are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position.		17,745
Other long-term receivables are not available to pay for current period expenditures and therefore are recorded as deferred inflows of resources in the funds.		207,666
Long-term receivables from service concession arrangements are not current financial resources and therefore are not reported in the governmental funds.		5,100
Deferred inflows of resources related to the receivable and capital assets from the service concession arrangements are not due and payable in the current period and therefore are not reported in the governmental funds.		(15,852)
Deferred outflows and inflows of resources for pension items are not financial resources and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources		574,488
Deferred inflows of resources		(76,771)
Internal service funds are used by management to charge the costs of management of information services, fleet management, insurance, printing, unemployment insurance, workers' compensation, employee benefits, retiree healthcare and pension obligation to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		(527,298)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable (excludes Pension Funding Bonds recorded in the internal service funds)	$ (1,638,443)	
Accrued vacation and sick leave	(161,920)	
Net pension liability	(2,415,326)	
Capital lease obligations	(2,541)	
Accrued interest payable	(17,277)	
Net OPEB obligations - Santa Clara Central Fire Protection District	(44,132)	
Pollution remediation obligation	(13,095)	
Accrued litigation liability	(8,500)	(4,301,234)
Net Position - governmental activities (page 23)		$ (13,865)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2017
(In thousands)

	General Fund	Other Governmental Funds	Total
Revenues:			
Taxes	$ 1,062,257	$ 235,395	$ 1,297,652
Licenses and permits	16,171	27,098	43,269
Fines, forfeitures, and penalties	53,337	2,409	55,746
Interest and investment income	18,637	6,770	25,407
Intergovernmental revenues	1,574,137	165,735	1,739,872
Charges for services	123,734	39,832	163,566
Other revenue	31,947	11,574	43,521
Total revenues	2,880,220	488,813	3,369,033
Expenditures:			
Current:			
General government	294,931	147	295,078
Public protection	856,055	154,229	1,010,284
Public ways and facilities	2,550	61,797	64,347
Health and sanitation	558,628	30,702	589,330
Public assistance	844,753	20,373	865,126
Education	-	42,541	42,541
Recreation and culture	-	46,059	46,059
Capital outlay	6,051	87,127	93,178
Debt service:			
Principal retirement	17,839	10,940	28,779
Interest and fiscal charges	9,931	35,110	45,041
Payment to bond refunding escrow	-	4	4
Total expenditures	2,590,738	489,029	3,079,767
Excess (deficiency) of revenues over (under) expenditures	289,482	(216)	289,266
Other financing sources (uses):			
Proceeds from sale of capital assets	5,010	4,710	9,720
Bond premium	-	136	136
Issuance of refunding bonds	-	602	602
Payment to bond refunding escrow	-	(738)	(738)
Transfers in	59,659	180,393	240,052
Transfers out	(269,726)	(71,745)	(341,471)
Total other financing sources (uses)	(205,057)	113,358	(91,699)
Special items:			
Transfers in of bond proceeds (Note 1(r))	-	112,808	112,808
Net change in fund balances	84,425	225,950	310,375
Fund balances, beginning of year	712,099	570,125	1,282,224
Fund balances, end of year	$ 796,524	$ 796,075	$ 1,592,599

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Government-wide
Statement of Activities - Governmental Activities

For the Fiscal Year Ended June 30, 2017
(In thousands)

Net change in fund balances - total governmental funds (page 26)		$ 310,375
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	$ 134,487	
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations)	(7,515)	
Less current year depreciation	(51,296)	75,676
Revenues recognized in the governmental funds that were earned and recognized in previous years and are reported as beginning net position in the statement of activities.		(1,318)
Pension contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflows of resources in the government-wide financial statements.		236,500
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(257,859)
Transfer of capital assets and long term liabilities from business-type activities do not provide current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.		
Capital assets received	1,188,823	
Long-term liabilities received	(401,456)	787,367
Issuance and refunding of bonds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. However, bonds issuance changes long-term liabilities in the statement of net position and do not affect the statement of activities.		
Debt issued or incurred:		
Proceeds of bonds issuance	(738)	
Payment to bond refunding escrow	742	4
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		28,779
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of bond premium	3,125	
Amortization of loss on refunding debt	(385)	
Change in accrued interest payable	(1,405)	
Change in accreted interest - Tobacco Settlement Asset-Backed Bonds	(10,583)	
Change in net OPEB obligations - Santa Clara Central Fire Protection District	(997)	
Change in pollution remediation obligations	(194)	
Change in accrued litigation liability	(700)	
Change in long-term compensated absences	(8,137)	(19,276)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.		29,128
Change in net position of governmental activities (page 23)		$ 1,189,376

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Fund Net Position

Proprietary Funds

June 30, 2017

(In thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	SCVMC	Valley Health Plan	Other	Total	Internal Service Funds
Assets:					
Current assets:					
Cash and investments:					
Unrestricted	$ 226,706	$ 118,074	$ 10,430	$ 355,210	$ 214,756
Restricted with fiscal agent	7,316	-	713	8,029	9,082
Other restricted	-	-	-	-	876
Receivables:					
Patient accounts receivable, net of estimated uncollectables	168,955	-	-	168,955	-
Other	1,167	3,998	100	5,265	5,806
Due from other funds	915	-	-	915	8
Due from third-party payers	8,357	-	-	8,357	-
Due from other governmental agencies	195,959	-	-	195,959	475
Inventories	23,234	-	-	23,234	1,091
Prepaid rent/insurance	13,112	268	-	13,380	2,678
Total current assets	645,721	122,340	11,243	779,304	234,772
Noncurrent assets:					
Other assets	-	-	22	22	839
Capital assets:					
Nondepreciable	23,347	-	4,321	27,668	1,295
Depreciable, net of accumulated depreciation	69,879	20,268	11,160	101,307	16,992
Total noncurrent assets	93,226	20,268	15,503	128,997	19,126
Total assets	738,947	142,608	26,746	908,301	253,898
Deferred outflows of resources:					
Pension items	273,926	5,722	321	279,969	-
Liabilities:					
Current liabilities:					
Accounts payable	43,202	67,124	1,093	111,419	15,470
Accrued salaries and benefits	36,425	976	36	37,437	2,504
Accrued liabilities	57,775	17,771	158	75,704	7,253
Due to other funds	3,850	32	-	3,882	1,292
Due to other governmental agencies	255,111	-	-	255,111	2
Unearned revenues	5,643	11,875	67	17,585	283
Current portion of insurance claims	-	-	-	-	42,479
Current portion of accrued vacation and sick leave	15,392	78	4	15,474	424
Current portion of bonds payable	6,610	-	169	6,779	8,880
Total current liabilities	424,008	97,856	1,527	523,391	78,587
Noncurrent liabilities:					
Noncurrent portion of insurance claims	-	-	-	-	124,293
Noncurrent portion of accrued vacation and sick leave	70,288	1,381	87	71,756	6,192
Noncurrent portion of bonds payable	45,802	-	3,878	49,680	411,067
Net OPEB obligation	-	-	-	-	252,857
Net pension liability	1,143,873	23,892	1,342	1,169,107	-
Total noncurrent liabilities	1,259,963	25,273	5,307	1,290,543	794,409
Total liabilities	1,683,971	123,129	6,834	1,813,934	872,996
Deferred inflows of resources:					
Pension items	35,971	751	42	36,764	-
Net position:					
Net investment in capital assets	48,130	20,268	11,434	79,832	18,287
Unrestricted	(755,199)	4,182	8,757	(742,260)	(637,385)
Total net position	$ (707,069)	$ 24,450	$ 20,191	(662,428)	$ (619,098)
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.				(91,800)	
Net position of business-type activities				$ (754,228)	

The notes to the basic financial statements are an integral part of this statement

COUNTY OF SANTA CLARA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	SCVMC	Valley Health Plan	Other	Total	Internal Service Funds
Operating revenues:					
Charges for services	$ 1,384,416	$ 506,653	$ 5,791	$ 1,896,860	$ 413,593
Other program revenues	120,844	-	-	120,844	-
Net operating revenues	1,505,260	506,653	5,791	2,017,704	413,593
Operating expenses:					
Salaries and benefits	998,629	26,008	1,059	1,025,696	197,619
Services and supplies	191,236	476,071	843	668,150	38,349
General and administrative	-	-	-	-	8,574
Professional services	280,341	1	1,459	281,801	3,022
Depreciation	66,876	6,376	655	73,907	5,315
Leases and rentals	9,190	-	-	9,190	49
Utilities	13,212	-	-	13,212	-
Insurance claims and premiums	5,294	-	46	5,340	87,147
Other	10,116	-	1,807	11,923	-
Total operating expenses	1,574,894	508,456	5,869	2,089,219	340,075
Operating income (loss)	(69,634)	(1,803)	(78)	(71,515)	73,518
Nonoperating revenues (expenses):					
Taxes	4,732	-	-	4,732	-
Investment income	3,749	484	53	4,286	1,319
Interest expense	(14,734)	-	(202)	(14,936)	(24,994)
Gain (loss) on disposal of capital assets	(203)	-	-	(203)	347
Other, net	(4,839)	1	1	(4,837)	247
Total nonoperating revenues (expenses), net	(11,295)	485	(148)	(10,958)	(23,081)
Income (loss) before transfers and special items	(80,929)	(1,318)	(226)	(82,473)	50,437
Transfers in	96,602	1,894	27	98,523	3,111
Transfers out	(215)	-	-	(215)	-
Special items - Transfer of capital assets and related balances (Note 1(r))	(900,175)	-	-	(900,175)	-
Change in net position	(884,717)	576	(199)	(884,340)	53,548
Net position, beginning of year	177,648	23,874	20,390	221,912	(672,646)
Net position, end of year	$ (707,069)	$ 24,450	$ 20,191	$ (662,428)	$ (619,098)

Change in net position of enterprise funds	$ (884,340)
Adjustment to reflect the consolidation of internal service funds to enterprise funds.	24,420
Change in net position of business-type activities	$ (859,920)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	SCVMC	Valley Health Plan	Other	Total	Internal Service Funds
Cash flows from operating activities:					
Cash receipts from customers and users	$ 1,432,436	$ 508,025	$ 5,815	$ 1,946,276	$ 413,052
Cash payment to suppliers for goods and services	(490,908)	(472,405)	(4,007)	(967,320)	(47,954)
Cash payment to employees for services	(977,947)	(21,936)	(1,037)	(1,000,920)	(61,162)
Cash payment for retirement benefits	-	-	-	-	(152,915)
Cash payment for judgments and claims	-	-	-	-	(76,035)
Other payments	(4,839)	-	-	(4,839)	-
Other receipts	-	1	1	2	247
Net cash provided by (used in) operating activities	(41,258)	13,685	772	(26,801)	75,233
Cash flows from noncapital financing activities:					
Cash receipts from state grants - taxes realignment	4,732	-	-	4,732	-
Cash receipts from borrowings from other funds	2,491	59	-	2,550	-
Cash repayments to other funds	-	-	-	-	(256)
Principal paid on pension obligation bonds	-	-	-	-	(4,647)
Interest paid on pension obligation bonds	-	-	-	-	(20,729)
Transfers in	96,602	1,894	27	98,523	3,111
Transfers out	(113,023)	-	-	(113,023)	-
Net cash provided by (used in) noncapital financing activities	(9,198)	1,953	27	(7,218)	(22,521)
Cash flows from capital and related financing activities:					
Bond issuance costs paid	(384)	-	-	(384)	-
Payment to bond refunding escrow	(216)	-	-	(216)	-
Principal paid on bonds	(25,720)	-	(165)	(25,885)	-
Interest paid	(17,373)	-	(201)	(17,574)	-
Acquisition of capital assets	(115,350)	(5,172)	(421)	(120,943)	(6,501)
Proceeds from sale of capital assets	-	-	-	-	389
Capital contributions received	492	-	-	492	-
Net cash used in capital and related financing activities	(158,551)	(5,172)	(787)	(164,510)	(6,112)
Cash flows from investing activities:					
Investment income received	4,033	484	53	4,570	1,404
Investment expenses paid	-	-	-	-	(85)
Net cash provided by investing activities	4,033	484	53	4,570	1,319
Net change in cash and cash equivalents	(204,974)	10,950	65	(193,959)	47,919
Cash and cash equivalents, beginning of year	438,996	107,124	11,078	557,198	176,795
Cash and cash equivalents, end of year	$ 234,022	$ 118,074	$ 11,143	$ 363,239	$ 224,714
Cash and cash equivalents:					
Cash and investments:					
Unrestricted	$ 226,706	$ 118,074	$ 10,430	$ 355,210	$ 214,756
Restricted with fiscal agents	7,316	-	713	8,029	9,082
Other restricted	-	-	-	-	876
Total cash and cash equivalents	$ 234,022	$ 118,074	$ 11,143	$ 363,239	$ 224,714

(Continued)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	SCVMC	Valley Health Plan	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (69,634)	$ (1,803)	$ (78)	$ (71,515)	$ 73,518
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	66,876	6,376	655	73,907	5,315
Provision for bad debts	7,974	-	-	7,974	-
Miscellaneous nonoperating revenues (expenses), net	(4,839)	1	1	(4,837)	247
Decrease (increase) in assets:					
Receivables	(42,908)	(1,821)	4	(44,725)	(213)
Due from other governmental agencies	(29,744)	-	-	(29,744)	115
Inventories	(89)	-	-	(89)	90
Prepaid rent/insurance	2,988	(268)	-	2,720	(359)
Due from third-party payers	(8,357)	-	-	(8,357)	-
Increase (decrease) in liabilities:					
Accounts payable	1,465	6,784	155	8,404	2,543
Accrued salaries and benefits	1,562	275	7	1,844	-
Accrued liabilities	14,117	(2,849)	(7)	11,261	555
Due to third-party payers	(77,668)	-	-	(77,668)	-
Accrued vacation and sick leave	5,648	273	6	5,927	306
Insurance claims	-	-	-	-	10,878
Due to other governmental agencies	72,368	-	-	72,368	-
Unearned revenue	5,511	3,193	20	8,724	(443)
Net OPEB obligation	-	-	-	-	(17,319)
Changes in pension items:					
Increase in deferred outflows of resources	(172,360)	(3,969)	(201)	(176,530)	-
Decrease in deferred inflows of resources	(40,905)	(575)	(49)	(41,529)	-
Increase in net pension liability	226,737	8,068	259	235,064	-
Net cash provided by (used in) operating activities	$ (41,258)	$ 13,685	$ 772	$ (26,801)	$ 75,233
Supplemental disclosure of noncash investing, capital and related financing activities:					
Noncash capital and related financing activities:					
Payment to refunded bond escrow agent from refunding bond proceeds	$ 50,542	$ -	$ -	$ 50,542	$ -
Acquisition of capital assets through accounts payable	4,188	-	-	4,188	-
Amortization of bond premiums	3,224	-	-	3,224	-
Amortization of loss on refunding debt	1,410	-	-	1,410	-
Transfer of capital assets to the County's governmental activities	1,188,823	-	-	1,188,823	-
Transfer of long-term liabilities and related balances to the County's governmental activities	401,456	-	-	401,456	-
Noncash noncapital financing activities:					
Accretion of interest on capital appreciation bonds	-	-	-	-	7,452

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2017
(In thousands)

	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
Assets:			
Cash and investments:			
Unrestricted	$ 4,008,187	$ 40,463	$ 97,495
Other restricted	5	-	2,604
Receivables:			
Property taxes	-	-	42,803
Interest	10,575	141	14,121
Other	-	85	-
Due from other agency funds	-	-	48,986
Due from other governmental agencies	-	-	3,950
Other assets	-	85,740	2,472
Total assets	4,018,767	126,429	212,431
Liabilities:			
Accounts payable	-	38,653	-
Other accrued liabilities	-	526	-
Due to other agency funds	-	-	48,986
Due to other governmental agencies	-	826	-
Deposits from others	-	86,547	-
Fiduciary liabilities	-	-	163,445
Total liabilities	-	126,552	212,431
Net position:			
Restricted for pool participants and trusts	$ 4,018,767	$ (123)	$ -

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SANTA CLARA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Investment Trust Funds	Private-Purpose Trust Fund
Additions:		
Contributions to pooled investments	$ 13,442,659	$ -
Interest and investment income	10,514	297
Total additions	13,453,173	297
Deductions:		
Distributions and administrative expenses	13,348,598	635
Total deductions	13,348,598	635
Change in net position	104,575	(338)
Net position, beginning of year	3,914,192	215
Net position, end of year	$ 4,018,767	$ (123)

The notes to the basic financial statements are an integral part of this statement.

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(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

The County of Santa Clara (County), California (State), was established on June 1, 1850. The County's powers are exercised through a Board of Supervisors (the Board), which is the governing body of the County. The Board is responsible for the legislative and executive control of the County. The County provides various services on a County-wide basis and certain services only to unincorporated areas. Services provided include law and justice, education, detention, social services, health, hospital, fire protection, sanitation, road construction and maintenance, park and recreation facilities, elections and records, communications, planning, zoning, treasury, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County. Financial accountability is also defined as the fiscal dependency of the component units on the County and the potential for the component unit to provide a financial benefit to or impose a financial burden on the County regardless of the organization of the governing board of the component unit.

The basic financial statements include both blended and discretely presented component units. The blended component units are, although legally separate entities, in substance part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained from the County's Controller-Treasurer Department located at 70 West Hedding Street, 2nd Floor, East Wing, San Jose, California 95110.

Blended Component Units

The Board serves as the governing board of the entities listed below. The County has financial and operational responsibility for these component units and the services provided by these entities benefits the County. Accordingly, these entities are presented as blended component units of the County.

(1) Summary of Significant Accounting Policies (Continued)

The following component units are blended in the County's basic financial statements:

Component unit	Blended in the basic financial statements under the category of:
Santa Clara County Central Fire Protection District South Santa Clara County Fire District Los Altos Hills County Fire District	Nonmajor governmental funds - all fire districts are reported together in a special revenue fund.
Santa Clara County Library	Nonmajor governmental fund
Santa Clara County Vector Control District	Nonmajor governmental fund
County Sanitation District 2 - 3 of Santa Clara County	Nonmajor enterprise fund
Santa Clara County Financing Authority	SCCFA is included in the financial statements for the Santa Clara Valley Medical Center (SCVMC) and nonmajor governmental funds
Silicon Valley Tobacco Securitization Authority	Nonmajor governmental fund
Santa Clara County Tobacco Securitization Corporation	Nonmajor governmental fund

Discretely Presented Component Units

The FIRST 5 Santa Clara County (FIRST 5) was created on March 30, 1999, under the provisions of the California Children and Families Act of 1998 (the Act). The Act became law in 1998 when California voters approved Proposition 10, authorizing the State to levy a tax on tobacco products to pay for programs to promote the healthy development of young children. FIRST 5's board consists of nine members, two of whom are officers of the County, while the remaining seven are appointed by the Board. FIRST 5 does not provide a financial benefit nor impose a financial burden on the County. FIRST 5 is financially accountable to the County as the County appoints a voting majority of FIRST 5's governing board, and the County is able to impose its will on FIRST 5. Due to the nature and significance of FIRST 5's relationship with the County, FIRST 5 is a discretely presented component unit of the County. Complete financial statements for FIRST 5 can be obtained directly from its administrative office at 4000 Moorpark Avenue, Suite 200, San Jose, California 95117.

The Housing Authority of the County of Santa Clara (Housing Authority) was established in 1967 by the Board. The purpose of the Housing Authority is to provide affordable housing to low-income families, elderly and handicapped people in Santa Clara County. It accomplishes its objectives by providing management, administrative and educational services to tenants and landlords to facilitate the operation of the various federal and State pretax assistance programs. Most of the housing programs administered by the Housing Authority are funded by contributions from the U.S. Department of Housing and Urban Development (HUD).

The Board appoints a voting majority of the Housing Authority's Board of Commissioners and can remove appointed members at will. The Housing Authority has a financial burden relationship with the County. The Housing Authority's governing body is not substantially the same as that of the County, and the Housing Authority does not provide services entirely or almost entirely to the County. The Housing Authority is presented as a discretely presented component unit of the County. The financial data included for the Housing Authority represents the aggregated data of its business-type activities and its component units. Complete financial statements for the Housing Authority can be obtained directly from its administrative office at 505 W. Julian Street, San Jose, CA 95110.

(1) Summary of Significant Accounting Policies (Continued)

The Santa Clara Health Authority, doing business as Santa Clara Family Health Plan and the Santa Clara Community Health Authority (collectively, the Health Authority), was established by the County Board pursuant to Section 14087.38 of the Welfare and Institutional Code. The Health Authority was created for the purpose of developing the Local Initiative Plan for the expansion of Medi-Cal Managed Care. The majority of the Health Authority's revenues are generated from a contract with the State of California Medi-Cal Program and a contract with the Centers for Medicare and Medicaid Services (CMS) for a Medicare program.

The Health Authority is a legally separate entity governed by a thirteen-member governing board appointed by the County. In April 2012, the County adopted an ordinance, which granted the County the ability to remove the Health Authority's governing board at will. Due to the nature and significance of Health Authority's relationship with the County, the Health Authority is included in the County's basic financial statements as a discretely presented component unit. The Health Authority is a nonprofit entity that is separate and apart from the County, and is not considered to be an agency, division, or department of the County. Furthermore, the Health Authority is not governed by, nor is it subject to, the Charter of the County and is not subject to the County's policies or operational rules. The Health Authority's debts are not expected to be repaid with County resources. Therefore, the Health Authority's data are presented separately from the data of the primary government.

The Health Authority acquired a license under the Knox-Keene Health Care Services Plan Act, and is regulated by the State's Department of Health Care Services (DHCS), California's Department of Managed Health Care (DMHC), and the Centers for Medicare and Medicaid Services (CMS). Complete financial statements for the Health Authority can be obtained directly from its administrative offices at 210 East Hacienda Avenue, Campbell, CA 95008.

(b) Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct and indirect expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs, including fines and penalties, and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes imposed by the County, are presented instead as general revenues.

When both restricted and unrestricted net position is available, unrestricted resources are used only after restricted resources are depleted.

(1) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges for customer services including: medical center charges for services, sanitation and airport fees, insurance charges, employee benefits, employee retirement, healthcare, information services, vehicle and maintenance services and printing support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental and enterprise funds:

- *General Fund* is the general operating fund of the County. It accounts for all financial resources except those required to be accounted for in another fund.
- *SCVMC Enterprise Fund* accounts for hospital and clinic services provided to County residents. Revenues consist primarily of patient service fees. An annual operating subsidy is provided by the General Fund to supplement SCVMC programs.
- *Valley Health Plan Enterprise Fund* accounts for health care services provided to large employer groups, including the County and individuals insured under various plans such as Covered California, and is delegated by Santa Clara Family Health Plan (SCFHP) to provide health insurance to Medi-Cal members. Revenues are primarily received from employer groups, individual premiums, and other sources.

The County reports the following additional fund types:

- *Internal Service Funds* provide for information technology, vehicle and maintenance, and printing services provided to County departments; life and dental insurance benefits, workers' compensation, unemployment, retirement healthcare, and pension financing costs for County employees; and other liability claims against the County.
- *Investment Trust Funds* account for commingled pool assets held in trust for schools, other special districts and other agencies which use the County Treasury as their depository, as well as account for separate investments acquired for the Mountain View – Los Altos School District, Palo Alto Unified School District, San Jose-Evergreen Community College District, and West Valley Mission Community College District.
- *Private Purpose Trust Funds* are used to account for resources for conservatees managed by the public guardians and administrators. These resources are restricted to a specified purpose that benefits individuals.

(1) Summary of Significant Accounting Policies (Continued)

- *Agency Funds* are custodial in nature and do not involve measurement of results of operations and account for assets held by the County as an agent for various local governments and individuals. Included are funds for child support payments; employees' long-term disability and supplemental life insurance premiums; and apportioned taxes for other local governmental agencies.

(c) Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (excluding agency funds). Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues are recognized in the current year if they are collected within 60 days of year-end. For all other revenues, the County considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Revenues not considered available are recorded as deferred inflows of resources. The County's other primary revenue sources: investment income, intergovernmental revenues, and charges for services have been treated as "susceptible to accrual" under the modified accrual basis. Licenses and permits, fines, forfeitures and penalties, and other revenue are not considered "susceptible to accrual" under the modified accrual basis and are recorded as revenues when received. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

(d) Federal, State, and Local Grant Funds

Proprietary funds' federal, state, and local grants are accounted for in accordance with the purpose for which the grants are intended. Approved grants for the acquisition of land, buildings, and equipment are reported as capital contributions and grants for operating assistance are recorded as non-operating revenues in the year in which the grants are applicable and the related grant conditions are met.

(1) Summary of Significant Accounting Policies (Continued)

(e) County Commingled Investment Pool

The County Treasurer manages a common cash and investment pool for the County, school and community college districts, special districts, and other local public agencies. Investments made by the Treasurer are regulated by the California Government Code and by a County investment policy approved annually by the Board after receiving recommendations from the County Treasury Oversight Committee. Adherence to the statutes and policies is monitored by the Board and the Treasury Oversight Committee.

The pool consists of cash and investments that are either unrestricted or legally restricted to certain trust, bond issue, and specific expenditure purposes. The pool is not registered with the SEC as an investment company. State law requires that the County and its public school districts invest with the County Treasury. These involuntary external members' shares comprise 59% of the pool.

Investments of the pool are stated at fair value. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2017 to support the value of shares in the pool.

The value of the participants' pool shares that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the participants' positions in the pool.

Separate Investments

The County Treasurer oversees separate investments for most of the County's reserve, payment, and capital resources arising from the issuance of various construction and technology bonds. In addition, self-insurance trusts and benefit plans for the County, Park Charter Fund, and certain school districts own additional separate investments managed by the Treasurer. All of these investments are classified as either unrestricted or restricted for other purposes on the accompanying balance sheets and statement of net position. The Santa Clara County Financing Authority (Financing Authority) maintains restricted cash and investments in separate bank accounts. Separate investments held by the County Treasury are also stated at fair value.

Investment Income

Realized earnings are allocated quarterly to the commingled investment pool participants based on the participants' average daily cash balance relative to the entire pool. A negative average cash balance results in negative earnings that are netted against interest income. Changes in fair value are included in investment income for financial statement reporting purposes.

The County follows legal or contractual provisions regarding the assignment of interest revenue to certain other funds. Interest on bond monies held in the non-major governmental funds have such arrangements. The assignment of other interest is based on management's discretion. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, interest revenue is reported in the fund in which it is earned. Subsequent assignments are reported as transfers.

(1) Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The County adopted the provisions of fair value measurements as established by GASB Statement No. 72. Under accounting principles generally accepted in the United States of America (GAAP), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the County. Unobservable inputs, if any, reflect the County's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:
Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities that the County has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuation based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed, and the differences could be material.

(f) Statement of Cash Flows

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less from the original purchase to be cash equivalents. The majority of the proprietary funds' deposits in the County Treasurer's commingled pool is in substance, demand deposits and is, therefore, considered cash equivalents for purposes of the statement of cash flows.

(1) Summary of Significant Accounting Policies (Continued)

(g) Inventories

Inventories are stated at cost (using the first-in, first-out method), which approximates market, and consist of expendable supplies that are reduced as consumed. Inventories reported in governmental funds are offset by a corresponding nonspendable fund balance, which indicates that they are not in spendable form even though they are a component of current assets.

(h) Loans Receivable

For the purpose of the fund financial statements, governmental expenditures relating to long-term loan receivables arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflows of resources account. The balance of the long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

(i) Capital Assets

The County defines capital assets as assets with an initial, individual cost of more than $150 for infrastructure and buildings and improvements, $5 for internally generated software, and $5 for equipment and vehicles with an estimated useful life in excess of one year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. Capital assets used in operations are depreciated or amortized (assets under capital leases and other intangible assets) using the straight-line method over the capital lease period or their estimated useful lives in the government-wide statements and proprietary fund statements. Certain assets, for which actual historical costs are not available, have been reported using methods that approximate their historical costs. Depreciation of exhaustible capital assets is charged as an expense against the County's operations, over their estimated useful lives in the government-wide statements and proprietary fund statements.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure……	5 to 50 years
Buildings and improvements……	5 to 50 years
Equipment and vehicles……	3 to 30 years

Interest is capitalized on proprietary funds' construction in progress. Interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

(j) Property Tax Levy, Collection, and Maximum Rate

The State's Constitution, Article XIII A provides that the combined maximum ad valorem property tax rate on any given property may not exceed 1% of its assessed value except for rates levied to pay principal and interest on general obligation debt. Such debt shall have voter approval unless incurred prior to June 6, 1978. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased no more than 2% per year unless the property is sold or transferred. Whenever there are changes in ownership, completed construction, or demolition, properties are subject to

(1) Summary of Significant Accounting Policies (Continued)

supplemental assessment based on the change in assessed valuation. Supplemental taxes are levied on the value change and prorated for the balance of the tax year. The State Legislature, through Assembly Bill 8 of 1979 and subsequent legislation, defined the methodology for distributing the 1% tax levy and collections among the County, cities, schools, and other local jurisdictions such as districts providing water, fire and library services.

The County assesses property values and levies, bills and collects the related taxes as follows:

	Secured	Unsecured
Lien dates……	January 1	January 1
Levy dates……	October 1	July 1
Due dates……	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent after……	December 10 (for November) April 10 (for February)	August 31

Annually, the Board sets the rates to be applied to the tax roll for the benefit of local taxing jurisdictions as provided by the State code. These taxes are secured by liens on the property being taxed. Taxes secured by land and improvements are levied on the Secured Tax Roll, while those taxes secured by personal property are levied on the Unsecured Tax Roll.

In 1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County distributes 100% of the secured tax levy to participating jurisdictions, regardless of collections. To cover losses on delinquent tax sales, counties using the Teeter Plan must maintain a Tax Losses Reserve Fund. The Tax Losses Reserve Fund is included in the County's "Apportioned Tax Resources" Agency Fund. When the balance in this fund exceeds the minimum balance required by the State code, the excess may be transferred to the General Fund.

(k) Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans reported as receivables and payables, as appropriate, are subject to elimination upon consolidation. The fund financial statements referred to these loans as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide statements as "internal balances". Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

(l) Bond Issuance Costs, Original Issue Discounts and Premiums, and Debt Refundings

Bond premiums, discounts and prepaid insurance costs for the government-wide statement of net position and proprietary fund types are recorded and amortized over the term of the bonds using a method that approximates the interest method. Bond premiums and discounts in the government-wide statements and in proprietary fund types are presented as an increase or reduction of the face amount of bonds payable, whereas prepaid insurance costs are recorded as an asset. The County also has losses

(1) Summary of Significant Accounting Policies (Continued)

on refunding of debt, which result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is recorded as a deferred outflow of resources and amortized over the shorter of the life of the refunded or the refunding debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs, including prepaid insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(m) Leases

The County leases various assets under both operating and capital lease agreements. For governmental fund types, assets under capital leases and the related long-term lease obligations are reported as capital assets and long-term liabilities in the governmental-wide statement of net position, respectively. For proprietary fund types, the assets and related capital lease obligations are recorded in the appropriate proprietary fund.

(n) Accrued Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are recorded as a liability when future payments for such compensated absences have been earned by employees based on pay and salary rates in effect at year-end. This liability is recorded in the government-wide statement of net position and in the various proprietary funds to reflect the County's obligation to fund such costs from future operations. The County includes its share of Social Security and Medicare payments made on behalf of the employees in its accrual for compensated absences. Unused vacation and sick leave are paid out upon separation from the County based on the terms stated in the Memorandum of Understanding between the employees' bargaining units and the County. The County does not accrue for compensated absences in its governmental fund statements and recognizes liabilities for compensated absences only if they are due and payable in an event such as termination.

(o) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County also reports deferred inflows of resources in the governmental funds balance sheet when revenues from property taxes, from the federal and State, and other sources are not available. These amounts are deferred and recognized as revenues in the period the amounts become available.

(1) Summary of Significant Accounting Policies (Continued)

(p) Pension Plans

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2016. For this report, the following timeframes are used for the County's pension plans:

Valuation Date (VD)……. June 30, 2015
Measurement Date (MD)…….. June 30, 2016
Measurement Period (MP)…… June 30, 2015 to June 30, 2016

(q) Effects of New Pronouncements

During the year ended June 30, 2017, the County implemented the following GASB Statements:

- In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement addresses reporting by Other Postemployment Benefits (OPEB) plans that administer benefits on behalf of governments. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

- In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (i) brief descriptive information; (ii) the gross dollar amount of taxes abated during the period; and (iii) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

(1) Summary of Significant Accounting Policies (Continued*)*

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan and established accounting and reporting guidelines for such pension plan. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

- In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

- In January 2016, the GASB issued Statement No 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No.14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

- In March 2016, the GASB issued Statement No 82, *Pension Issues – an amendment of GASB Statements No.67, No.68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Implementation of this statement did not have a significant impact on the County for the year ended June 30, 2017.

In addition, the County is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the County's fiscal year ending June 30, 2018.

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the County's fiscal year ending June 30, 2018.

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible

(1) Summary of Significant Accounting Policies (Continued)

capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the County's fiscal year ending June 30, 2019.

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the County's fiscal year ending June 30, 2020.

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the County's fiscal year ending June 30, 2018.

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for the County's fiscal year ending June 30, 2018.

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the County's fiscal year ending June 30, 2021.

(r) Special Items

Special items are transactions or events that are within the control of the County and are either unusual in nature or infrequent in occurrence.

(1) Summary of Significant Accounting Policies (Continued)

SCVMC Capital Assets and Long-Term Debt Transfers to Governmental Activities

In prior years, the County contributed funds from Tobacco Settlement Asset-Backed Bonds and general obligation bonds and other general revenues to assist in the financing of SCVMC's buildings and improvements used in operations and its current projects under construction. As such, the County recorded these capital assets along with the related long-term debt in the SCVMC fund. During the fiscal year 2016-17, the County determined that its general resources would be responsible for the maintenance of these buildings and improvements and the completion of the construction in progress and transferred these assets along with the related long-term debt and unspent bond proceeds to the County's governmental activities as follows:

Capital assets:	
Construction in progress	$ 725,501
Buildings and improvements	463,322
Related debt:	
Unamortized loss on refunding debt	11,009
Deferred outflows on derivative instruments	16,452
Long-term liabilities	(412,465)
Derivative instruments liabilities	(16,452)
Restricted cash and investments - unspent bond proceeds	112,808
Total special item	$ 900,175

(s) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(2) Stewardship, Compliance and Accountability

Deficit Net Position and Fund Balance

At June 30, 2017, the County's governmental activities, business-type activities, and the SCVMC enterprise fund have a deficit net position of $13.9 million, $754.2 million, and $707.1 million, respectively, due primarily to the reporting of the net pension liability pursuant to GASB Statement No. 68. The County is committed to fully funding the actuarially determined contributions annually.

At June 30, 2017, the Nonmajor Governmental Housing 2016 Measure A Fund has a deficit fund balance of $11.9 million. The deficit is expected to be cured in fiscal year 2018 through receipt of bond proceeds from the issuance of the Measure A General Obligation Bonds (see Note (17)). In addition, the Private-Purpose Trust Fund has a deficit net position of $0.1 million, which is expected to be cured through receipt of interest earnings in fiscal year 2018.

At June 30, 2017, the Insurance, Retiree Healthcare, and Pension Obligation Internal Service Funds have a deficit net position of $8,896, $243,646, and $426,806, respectively. For the Insurance Internal Service Fund, the deficit is expected to be recovered in the next two years by increasing inter-department charges. The County has developed a funding plan to reduce its deficit in the Retiree Healthcare Internal Service Fund by increasing funding over the next three years to attain the Annual Required Contribution (ARC) level in fiscal year 2018 and maintaining ARC payments over the next 30 years. For the Pension Obligation Internal Service Fund, the deficit net position will be reduced through repayment of pension obligation bonds with final maturity date of August 1, 2036.

(3) Cash and Investments

(a) Description

The County Treasurer maintains common cash and investment pools in which cash may be invested by individual County funds and certain independent local governmental agencies. In addition, investments are held separately by the Treasurer for other County funds, including: County Parks, Retiree Healthcare Internal Service Fund, and certain school districts. Each fund type's share of the common pool is combined with cash and investments held separately and shown on the accompanying balance sheet and statement of net position as "cash and investments" and "restricted cash and investments."

Cash and investments – restricted with fiscal agents represent monies held by trustees that are legally restricted for the retirement of long-term debt. Cash and investments – other restricted includes monies held in the County Treasury restricted by debt covenants for construction projects and professional services and restricted for specific purposes consisting primarily of reserves for employee benefits and certain other debt service funds.

(b) Investment Policies

The objectives of the County's investment policy, in order of priority, are safety of principal to ensure preservation of capital in the overall portfolio, maintenance of liquidity sufficient to meet anticipated operating requirements, and to attain a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow characteristics. The objectives of the policy also ensure mitigation of interest rate risk, credit risk, and concentration of credit risk.

The table below identifies the investment types that are authorized for the County by the California Government Code (or the County's investment policy, where more restrictive). This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the County's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer	Credit Ratings Minimum (2 Ratings)
U.S. Treasury Obligations	5 years	None	None	N/A
U.S. Agency Securities	5 years	None	None	N/A
State Local Agency Investment Fund (LAIF)	N/A	None	$50 million	N/A
Repurchase Agreements	92 days	None	None	N/A
Reverse Repurchase Agreements	92 days	20%	$90 million *	None
Securities Lending	92 days	20% *	None	N/A
Collateralized Bank Deposits	5 years	None	None	None
Negotiable Certificates of Deposit	5 years	30%	5%	A-1/P-1/F1 *
Bankers' Acceptances	180 days	40%	5%	A-1/P-1/F1 *
Commercial Paper	270 days	40%	5%	A-1/P-1/F1 *
Medium-Term Corporate Notes	5 years	30%	5%	Aa3/AA-/AA-*
Municipal Obligations	5 years	10% *	None	MIG-1/SP-1/F1 A3/A-/A-
Money Market Funds - Taxable	N/A	20%	10%	Aaa/AAA/AAA
Money Market Funds - Tax-Exempt	N/A	20%	10%	Aaa/AAA/AAA **
Federal Agency Mortgage Backed Securities	5 years	20% *	None	None
Asset Backed Securities	5 years	20%	None	A3/A-/A- for issuer, Aa3/AA-/AA- for security
Supranational Debt Obligations	5 years	10%	None	AAA

* Represents restriction in which the County's investment policy is more restrictive than the California Code

** Minimum of one credit rating required for Tax-Exempt Money Market Funds

(3) Cash and Investments (Continued)

In accordance with Government Code Sections 53620-53622, the assets of the Santa Clara County Retiree Healthcare Plan, which is reported in an Internal Service Fund, may be invested in bonds that have a final maturity of 30 years or less from purchase date and in bonds with a Moody's credit rating of A3 or higher, Standard and Poor's rating of A- or higher, or Fitch's rating of A- or higher at time of purchase. Additionally, the Board has determined that up to 67% of the Retiree Healthcare Plan assets, excluding near-term liability payouts, may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board.

Investments of debt proceeds held by bond trustees are governed by provisions of debt agreements, rather than the general provisions of the California Government Code or the County's investment policy.

(c) Summary of Cash and Investments

Total County cash and investments are reported as follows:

	Unrestricted	Restricted	Total
Primary Government	$ 2,264,963	$ 181,686	$ 2,446,649
Component Units	516,497	26,290	542,787
Investment Trust Funds	4,008,187	5	4,008,192
Private-Purpose Trust Fund	40,463	-	40,463
Agency Funds	97,495	2,604	100,099
Total cash and investments	$ 6,927,605	$ 210,585	$ 7,138,190

The County's cash and investments are as follows:

Cash and deposits:	
Cash on hand	$ 73
Deposits of the County	22,110
Restricted deposits	4,339
Deposits with component units:	
Housing Authority	49,853
FIRST 5	2,426
Health Authority	152,910
Total cash and deposits	231,711
Investments:	
With Treasurer	6,549,231
With Treasurer - FIRST 5	6,271
With Treasurer - Health Authority	211,394
With fiscal agents	19,650
With Housing Authority	67,230
With FIRST 5	52,703
Total investments	6,906,479
Total cash, deposits and investments	$ 7,138,190

(3) Cash and Investments (Continued)

(d) Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(e) Investment Composition

As of June 30, 2017, the major classes of the County's investments consisted of the following:

				Investment Maturities (in years)			
	Interest Rates	Par Value	Fair Value	0 - 1	1 - 3	3 - 5	5 - 10
With Treasurer:							
Commingled pool:							
U.S.Treasury Notes	1.38%	$ 40,000	$ 40,034	$ 25,021	$ 15,013	$ -	$ -
U.S. Agencies - Coupon	0.63% - 4.75%	3,669,941	3,660,132	1,063,475	1,994,439	602,218	-
U.S. Agencies - Discount	0.89% - 1.11%	204,800	204,183	204,183	-	-	-
Medium-term Corporate Notes	1.11% - 2.13%	452,089	451,412	214,964	196,484	39,964	-
Asset Backed Securities	0.67% - 1.78%	349,574	348,803	12,993	179,354	156,456	-
Municipal Bonds	1.00% - 5.00%	68,505	68,125	36,555	16,352	15,218	-
Commercial Paper - Discount	0.85% - 1.42%	735,000	733,558	733,558	-	-	-
Negotiable Certificate of Deposit	0.95% - 1.69%	615,000	614,986	594,994	19,992	-	-
Money Market Mutual Funds	0.82% - 0.88%	316,869	316,869	316,869	-	-	-
LAIF	0.92%	40,377	40,377	40,377	-	-	-
Supranationals	0.88% - 1.63%	237,500	236,224	57,419	178,805	-	-
Subtotal commingled pool		6,729,655	6,714,703	3,300,408	2,600,439	813,856	-
Separate Investments:							
U.S.Treasury Notes		9,000	9,001	4,491	4,510	-	-
U.S. Agencies - Coupon		19,100	18,940	11,078	4,945	2,917	-
Municipal Bonds		16,145	17,214	6,321	5,912	4,395	586
Money Market Mutual Funds		7,038	7,038	7,038	-	-	-
Subtotal separate investments		51,283	52,193	28,928	15,367	7,312	586
Subtotal with Treasurer		6,780,938	6,766,896	3,329,336	2,615,806	821,168	586
With fiscal agents:							
U.S.Treasury Notes		3,820	3,804	569	1,576	1,659	-
U.S. Agencies - Coupon		3,720	3,702	973	1,357	1,372	-
Medium-term corporte notes		512	512	27	485	-	-
Asset Backed Securities		990	989	179	460	350	-
Money Market Mutual Funds		10,642	10,643	10,643	-	-	-
Subtotal with fiscal agents		19,684	19,650	12,391	3,878	3,381	-
With Housing Authority:							
U.S. Agencies - Coupon		8,617	8,617	-	1,971	6,646	-
Negotiable Certificate of Deposit		8,156	8,156	-	2,958	5,198	-
Medium-term corporte notes		2,029	2,029	-	-	2,029	-
Money market mutual funds		1,061	1,061	1,061	-	-	-
LAIF		47,367	47,367	47,367	-	-	-
Subtotal with Housing Authority		67,230	67,230	48,428	4,929	13,873	-
With FIRST 5:							
U.S.Treasury Notes		17,135	17,103	4,424	5,708	6,971	-
U.S. Agencies - Coupon		15,126	15,109	2,012	6,356	6,741	-
Medium-term Corporate Notes		14,525	14,624	4,610	6,602	3,412	-
Asset Backed Securities		4,212	4,209	94	4,115	-	-
Commercial Paper		1,470	1,467	1,467	-	-	-
Money Market Mutual Funds		191	191	191	-	-	-
Subtotal with FIRST 5		52,659	52,703	12,798	22,781	17,124	-
Total investments		$ 6,920,511	$ 6,906,479	$ 3,402,953	$ 2,647,394	$ 855,546	$ 586

(3) Cash and Investments (Continued)

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of its commingled pool to eighteen months. At June 30, 2017, the County's weighted average maturity of its commingled pool is 528 days. The County invested in callable Federal Agency Bonds ($1,021,060 of the County's U.S. Agencies coupon position of $3,660,132) within its commingled pool. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

Credit Risk

Credit risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The following is a summary of the credit quality distribution for securities with credit exposure as a percentage of investments with Treasury (Commingled Pool and Separate), fiscal agent, Housing Authority, and FIRST 5 as rated by Moody's Investors Service:

Investment	Moody's Rating	% of Commingled Pool investments with the Treasury	% of Separate investments with the Treasury	% of investments with Fiscal Agents	% of Investments with Housing Authority	% of investments with FIRST 5
U.S.Treasury Notes	Aaa	0.60%	17.25%	19.36%	0.00%	32.45%
U.S. Agencies - Coupon	Aaa	53.39%	36.29%	18.84%	12.04%	28.68%
U.S. Agencies - Coupon	Unrated	1.12%	0.00%	0.00%	0.77%	0.00%
U.S. Agencies - Discount	P-1	2.38%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies - Discount	Unrated	0.66%	0.00%	0.00%	0.00%	0.00%
Asset Backed Securities	Aaa	3.27%	0.00%	2.09%	0.00%	6.26%
Asset Backed Securities	Unrated	1.93%	0.00%	0.51%	0.00%	1.72%
Municipal Bonds	Aaa	0.01%	17.19%	0.00%	0.00%	0.00%
Municipal Bonds	Aa1	0.00%	12.92%	0.00%	0.00%	0.00%
Municipal Bonds	Aa2	0.09%	2.87%	0.00%	0.00%	0.00%
Municipal Bonds	Aa3	0.91%	0.00%	0.00%	0.00%	0.00%
Medium-term Corporate Notes	Aaa	2.45%	0.00%	2.18%	0.75%	2.24%
Medium-term Corporate Notes	Aa1	0.52%	0.00%	0.91%	0.00%	1.55%
Medium-term Corporate Notes	Aa2	1.64%	0.00%	1.94%	0.77%	2.39%
Medium-term Corporate Notes	Aa3	1.38%	0.00%	0.00%	1.50%	0.56%
Medium-term Corporate Notes	A1	0.74%	0.00%	0.00%	0.00%	14.53%
Medium-term Corporate Notes	A2	0.00%	0.00%	0.00%	0.00%	5.46%
Medium-term Corporate Notes	A3	0.00%	0.00%	0.00%	0.00%	1.02%
Commercial Paper - Discount	P-1	10.91%	0.00%	0.00%	0.00%	2.78%
Negotiable Certificate of Deposit	Aa3	0.30%	0.00%	0.00%	0.00%	0.00%
Negotiable Certificate of Deposit	P-1	8.86%	0.00%	0.00%	0.00%	0.00%
Negotiable Certificate of Deposit	Unrated	0.00%	0.00%	0.00%	12.13%	0.00%
Money Market Mutual Funds	Aaa	4.72%	13.48%	54.17%	0.00%	0.36%
Money Market Mutual Funds	Unrated	0.00%	0.00%	0.00%	1.58%	0.00%
LAIF	Unrated	0.60%	0.00%	0.00%	70.46%	0.00%
Supranationals	Aaa	3.52%	0.00%	0.00%	0.00%	0.00%
Total Investments		100.00%	100.00%	100.00%	100.00%	100.00%

(3) Cash and Investments (Continued)

Government Code Section 16429.1 authorizes each local government agency to invest funds in the State Treasurer's Local Agency Investment Fund (LAIF) administered by the California State Treasurer. The total amount recorded by all public agencies in LAIF at June 30, 2017, was approximately $22.81 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of approximately $77.56 billion as of June 30, 2017. Of that amount, 97.11% was invested in non-derivative financial products and 2.89% in structured notes and asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County's position in the pool.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The County diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. Investments in U.S. Treasuries, U.S. Agency securities explicitly backed by the U.S., and mutual and pooled funds are not subject to this limitation.

More than 5% of the County's commingled pooled investments are invested with the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank, which represent 7.69%, 21.98%, 13.98%, and 12.87%, respectively, of the County's commingled pooled investments.

More than 5% of the County's separate pooled investments are invested with the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, which represent 26.88% and 5.59%, respectively, of the County's separate pooled investments.

More than 5% of the investments with fiscal agents are invested with the Federal Home Loan Bank and Federal National Mortgage Association which represent 7.19% and 6.84 %, respectively, of the investments with fiscal agents.

More than 5% of the FIRST 5's investments are invested with the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation which represent 14.77% and 8.37%, respectively, of the First 5's investments.

More than 5% of the Housing Authority's investments are invested with the Federal National Mortgage Association which represent 6.69% of the Housing Authority's investments.

(3) Cash and Investments (Continued)

(f) Condensed Financial Information

In lieu of separately issued financial statements for the external pool, condensed financial information is presented below as of and for the year ended June 30, 2017:

Assets:		
U.S. Treasury Notes	$	49,035
U.S. Agencies - Coupon		3,679,072
U.S. Agencies - Discount		204,183
Medium-term corporate notes		451,412
Asset Backed Securities		348,803
Municipal bonds		85,339
Commercial paper - Discount		733,558
Negotiable Certificates of Deposit		614,986
Money market mutual fund		323,907
State Local Agency Investment Fund		40,377
Supranationals		236,224
Total investments		6,766,896
Other assets (Interest receivable)		21,666
Total assets	$	6,788,562
Net Position		
Equity of internal pool participants	$	2,769,795
Equity of individual investment accounts		20,403
Equity of external pool participants		3,998,364
Total net position	$	6,788,562
Statement of Changes in Net Position		
Net position at July 1, 2016	$	6,355,154
Net change in investments by pool participants		433,408
Net position at June 30, 2017	$	6,788,562
Net position composition of the equity of external pool participants is as follows:		
Participants units outstanding ($1 par)	$	4,008,076
Undistributed and unrealized loss		(9,712)
Net position at June 30, 2017	$	3,998,364
Participants net position value at fair value price per share ($3,998,364 divided by 4,008,076 units)	$	0.9976

(3) Cash and Investments (Continued)

(g) Fair Value Hierarchy

As of June 30, 2017, the County's fair value hierarchy for its investments was as follows:

With Treasurer:		
Commingled pool:		
Investments subject to fair value hierarchy - Level 2 Investments		
U.S.Treasury Notes	$	40,034
U.S. Agencies - Coupon		3,660,132
U.S. Agencies - Discount		204,183
Medium-term Corporate Notes		451,412
Asset Backed Securities		348,803
Municipal Bonds		68,125
Commercial Paper - Discount		733,558
Negotiable Certificate of Deposit		614,986
Supranationals		236,224
Total investments subject to fair value hierarchy		6,357,457
Investments not subject to fair value hierarchy - Money Market Mutual Funds		316,869
Investments not subject to fair value hierarchy - LAIF		40,377
Subtotal commingled pool		6,714,703
Separate Investments:		
Investments subject to fair value hierarchy - Level 2 Investments		
U.S.Treasury Notes		9,001
U.S. Agencies - Coupon		18,940
Municipal Bonds		17,214
Total investments subject to fair value hierarchy		45,155
Investments not subject to fair value hierarchy - Money Market Mutual Funds		7,038
Subtotal separate investments		52,193
Subtotal with Treasurer		6,766,896
With fiscal agents:		
Investments subject to fair value hierarchy - Level 2 Investments		
U.S.Treasury Notes		3,804
U.S. Agencies - Coupon		3,702
Medium-term corporate notes		512
Asset Backed Securities		989
Total investments subject to fair value hierarchy		9,007
Investments not subject to fair value hierarchy:		
Investments not subject to fair value hierarchy - Money Market Mutual Funds		10,643
Subtotal with fiscal agents		19,650
With Housing Authority:		
Investments subject to fair value hierarchy - Level 2 Investments		
U.S. Agencies - Coupon		8,617
Negotiable Certificate of Deposit		8,156
Medium-term Corporate Notes		2,029
Total investments subject to fair value hierarchy		18,802
Investments not subject to fair value hierarchy:		
Investments not subject to fair value hierarchy - Money Market Mutual Funds		1,061
Investments not subject to fair value hierarchy - LAIF		47,367
Subtotal with Housing Authority		67,230
With FIRST 5:		
Investments subject to fair value hierarchy - Level 2 Investments		
U.S.Treasury Notes		17,103
U.S. Agencies - Coupon		15,109
Medium-term Corporate Notes		14,624
Asset Backed Securities		4,209
Commercial Paper		1,467
Total investments subject to fair value hierarchy		52,512
Investments not subject to fair value hierarchy - Money Market Mutual Funds		191
Subtotal with FIRST 5		52,703
Total investment	$	6,906,479

(3) Cash and Investments (Continued)

Fixed income investments are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, and other market related data and classified in Level 2 of the fair value hierarchy.

Money market mutual funds have maturities of one year or less from fiscal year end and are not subject to GASB Statement No. 72.

(4) Receivables

Receivables at year-end for the County's major individual funds, nonmajor and internal service funds, and governmental and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables - Governmental Activities	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Government-Wide Service Concession Arrangement	Total Governmental Activities
Property tax	$ 4,824	$ -	$ -	$ -	$ 4,824
Loans receivable	-	72,628	-	-	72,628
Other	148,740	20,641	5,806	5,100	180,287
Gross receivables	153,564	93,269	5,806	5,100	257,739
Less: allowance for uncollectibles	(127,718)	(376)	-	-	(128,094)
Total receivables, net	$ 25,846	$ 92,893	$ 5,806	$ 5,100	$ 129,645

Receivables - Business-type Activities	SCVMC	Valley Health Plan	Nonmajor Enterprise Funds	Total Business-type Activities
Patient accounts receivable	$ 724,646	$ -	$ -	$ 724,646
Other	1,167	3,998	100	5,265
Gross receivables	725,813	3,998	100	729,911
Less allowance for uncollectibles	(555,691)	-	-	(555,691)
Total receivables, net	$ 170,122	$ 3,998	$ 100	$ 174,220

Net loan receivables from housing programs in the amount of $72,252 are not expected to be collected within the subsequent year. The other receivables of General Fund in the amount of $148,740 represent receivables of various County departments and majority of the balances were allowed for at year-end.

(4) Receivables (Continued)

At June 30, 2017, the General Fund's due from other governmental agencies of $299,937 is net of allowances for uncollectible accounts in the amount of $34,496. Included in due from governmental agencies are agreements with the Milpitas Redevelopment Agency and the San Jose Redevelopment Agency as follows:

Milpitas Redevelopment Agency Elmwood Sale

In June 2003, the Milpitas Redevelopment Agency (the MRDA) entered into an agreement to purchase and sell approximately 35 acres of Elmwood surplus land in the amount of (1) $135,000 payable in installments over a 20-year period; (2) the aggregate sum of the developer negotiated value for all parcels comprising the property; and (3) 10 years of additional payments, estimated at $3,500 per year, negotiated under the Sales and Use Tax Sharing Agreement based on 50% of the sales tax revenue generated by the additional redevelopment project area together with the Elmwood commercial area. In August 2003, the County approved the agreement with KB Home South Bay, Inc. (KB Home) for the base land value of $57,750 (developer negotiated value) enabling the County's disposition of the Elmwood surplus lands and the MRDA's purchase and re-sale of the property.

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. As such the obligation of MRDA transferred to the Successor Agency to the Milpitas Redevelopment Agency and the enforceable obligation was approved by its Oversight Board and updated to increase the additional payments by another 2 years through 2033. The following table shows the estimated cash flows related to the sale of the Elmwood surplus lands:

Fiscal year ending June 30,	Developer Negotiated Value	Other	Milpitas Redevelopment Agency: Installment Payments	Milpitas Redevelopment Agency: Additional Payments	Total
From Fiscal Year 2016 and prior	$ 57,750	$ 419	$ 75,000	$ -	$ 133,169
2017	-	-	5,000	-	5,000
2018	-	-	5,000	-	5,000
2019	-	-	6,000	-	6,000
2020	-	-	6,000	-	6,000
2021	-	-	6,000	-	6,000
2022-2026	-	-	12,000	10,500	22,500
2027-2031	-	-	-	17,500	17,500
2032-2033	-	-	-	7,000	7,000
Total	57,750	419	115,000	35,000	208,169
Less amount received prior to June 30, 2016	(57,750)	(419)	(75,000)	-	(133,169)
Receivable at June 30, 2016	-	-	40,000	35,000	75,000
Less amount received during current year	-	-	(5,000)	-	(5,000)
Receivable at June 30, 2017	$ -	$ -	$ 35,000	$ 35,000	$ 70,000

At June 30, 2017, the County's General Fund receivable balance of $70,000 represents the remaining estimated future cash flow related to the sale of the Elmwood surplus lands. During the year ended June 30, 2017, the County recognized proceeds from the sale in the amount of $5,000 as revenue in its General Fund. At June 30, 2017, the deferred inflows of resources balance related to this balance is $70,000.

(4) Receivables (Continued)

San Jose Redevelopment Agency

In 1983, the County and the San Jose Redevelopment Agency (SJRDA) entered into a tax sharing agreement under which the SJRDA would pay a portion of tax increment revenue generated in the Merged Area and part of the Rincon de los Esteros Project Area (County Pass-Through Payment). In December 1993, the SJRDA, the County, and City of San Jose entered into a settlement agreement, which continued the County Pass-Through Payment and in May 2001, the County, City of San Jose, and SJRDA approved an Amended and Restated Agreement (Amended Agreement).

In September 2009, the SJRDA informed the County that due to the State's Supplemental Educational Revenue Augmentation Funds requirement and insufficient tax increment revenues, it did not have sufficient unrestricted funds to make the fiscal year 2009-2010 County Pass-Through Payment. The SJRDA further informed the County that it has held funds for the fiscal year 2008-2009 County Pass-Through Payments pending negotiations regarding the payment. At June 30, 2010, the County recorded a receivable from the SJRDA in the amount of $45.2 million, which included the fiscal years 2008-2009 and 2009-10 County Pass-Through Payments, accumulated interest and other administration fees.

In March 2011, a settlement agreement was reached and entered into between the County, SJRDA, and City of San Jose in which the SJRDA: (1) paid the County $26.5 million during fiscal year 2010-2011; (2) transferred title of the former San Jose City Hall (valued at $8.6 million) to the County on June 30, 2011; and agreed to pay the remaining $23.8 million in five equal annual installments no later than June 30 of 2014, 2015, 2016, 2017, and 2018. Upon dissolution of the SJRDA, the enforceable obligation was approved by its Oversight Board. Under the modified accrual basis of accounting, the unavailable revenues are reported as deferred inflows of resources in governmental fund financial statements until the revenues are available to the County. At June 30, 2017, the deferred inflows of resources reported related to this receivable is $13.4 million.

Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with due from other governmental agencies and other receivables for revenues not considered available to liquidate liabilities of the current period. At June 30, 2017, the deferred inflows of resources balance consists of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Due from other governmental agencies	$ 117,133	$ -	$ 117,133
Other receivables	1,316	89,217	90,533
Total deferred inflows of resources	$ 118,449	$ 89,217	$ 207,666

(5) Interfund Transactions

Interfund receivables, payables, and transfers as of and for the fiscal year ended June 30, 2017, by individual fund/fund type are summarized as follows:

Due to/from other funds:

Receivable Fund	Payable Fund		Amount
General Fund	Nonmajor Governmental Funds	$	71,335
General Fund	Internal Service Funds		1,292
General Fund	SCVMC		3,850
Nonmajor Governmental Funds	Nonmajor Governmental Funds		4,210
SCVMC	General Fund		883
SCVMC	Valley Health Plan		32
Internal Service Funds	General Fund		8
Agency Funds	Agency Funds		48,986
		$	130,596

The General Fund is due $59,335 from Nonmajor Governmental Funds to reimburse for costs incurred for Mental Health Service Act expenditures. The General Fund is also due $12,000 from Nonmajor Governmental Funds for borrowings used to fund affordable housing projects, which is expected to be repaid by December 31, 2017 with bond proceeds from the issuance of Measure A General Obligation Bonds. The Nonmajor Governmental Funds are due $4,210 to reimburse costs incurred for capital projects funded with Clean Renewable Energy Bonds. In addition, the interfund balances of $48,986 between the County's Agency Funds represent current borrowings for working capital expected to be repaid during the following year.

All remaining interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advance from/to other funds:

In February 2013, the Board approved an interfund loan from the General Fund to the Child Support nonmajor special revenue fund for tenant improvements in the amount of $1,000 to be repaid over the ten-year term of the lease. The actual amount of the loan was $693. The terms of the loan include a maturity of June 30, 2023 and interest is based on the quarterly rate of return of the County Commingled Pool. At June 30, 2017, the advance balance was $399.

(5) Interfund Transactions (Continued)

Transfer in/out between funds:

The following schedule briefly summarizes the County's transfer activities:

Transfer From	Transfer To	Amount	Purpose
Between Governmental and Business-type Activities:			
General Fund	SCVMC	$ 80,689	Transfer funds for subsidy.
General Fund	SCVMC	3,586	Transfer funds for payment of retiree benefits.
General Fund	SCVMC	12,040	Transfer funds for Worker's Compensation Program.
General Fund	SCVMC	287	Transfer funds distribution of Public Safety Realignment 2011- AB 109 (Local Community Correction).
General Fund	Valley Health Plan	102	Transfer funds for payment of retiree benefits.
General Fund	Valley Health Plan	112	Transfer funds for Worker's Compensation Program.
General Fund	Valley Health Plan	1,680	Transfer funds for Primary Care Access Pilot Program.
General Fund	Nonmajor Enterprise Fund	7	Transfer funds for payment of retiree benefits.
General Fund	Nonmajor Enterprise Fund	8	Transfer funds for Worker's Compensation Program.
General Fund	Nonmajor Enterprise Fund	12	Transfer funds to cover rent costs for the animal rescue clinic.
SCVMC	Nonmajor Governmental Funds	206	Transfer bond proceeds to the General Capital Improvement fund for Valley Health Center Project.
SCVMC	Nonmajor Governmental Funds	9	Transfer of 2016A Lease Revenue Bonds reserve funds released for refunding.
Subtotal Between Governmental and Business-type Activities:		**98,738**	
Between Funds within the Governmental or Business-type Activities *:			
General Fund	Internal Service Fund	2,000	Transfer funds for Facilities and Fleet Department's purchases.
		580	Transfer funds for intra county purchases of color copier.
		245	Transfer funds for payment of retiree benefits.
		286	Transfer funds for Worker's Compensation Program.
		3,111	
General Fund	Nonmajor Governmental Fund	164,036	Transfer funds to finance Facilities and Fleet Department capital projects.
		51	Transfer funds to the County Library fund for annual contribution per Joint Power Authority agreement.
		121	Transfer funds for the household waste program.
		86	Transfer funds to the Roads Department for school crossing guard project.
		130	Transfer funds to pay for expenditures of the tobacco program.
		45	Transfer to the Roads Fund for circulation and mobility project.
		233	Transfer funds for the Parks Alviso expenditures.
		684	Transfer funds for payment of retiree benefits.
		2,675	Transfer funds for Worker's Compensation Program.
		31	Transfer funds for employee service awards.
		168,092	
Nonmajor Governmental Fund	General Fund	234	Transfer funds to General Fund to pay for debt service.
		144	Transfer fund from the Vital Statistic fund for specified ongoing operations.
		59,263	Transfer funds for Proposition 63 nonmajor fund for planning, administrative, and program costs for the mental health services programs.
		2	Transfer funds for technology project.
		16	Transfer funds to pay for operating expenses of the tobacco fund.
		59,659	
Nonmajor Governmental Fund	Nonmajor Governmental Fund	902	Transfer funds to the Parks Department for Parks Capital Projects.
		5	Transfer debt proceeds to fund qualified Facilities and Fleet Capital Projects.
		59	Transfer funds to Environmental Health Department to enable the Household Hazardous Waste Program.
		11,120	Transfers CREB proceeds to finance Facilities and Fleet Department capital projects.
		12,086	
Subtotal: Between Funds within Governmental or Business-type Activities:		**242,948**	
	Total Transfers:	**$ 341,686**	

* These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities.

(6) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Reductions/ Adjustments	Transfers	Balance, June 30, 2017
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 271,894	$ 1,012	$ -	$ 25,543	$ 298,449
Construction in progress	206,326	106,964	(146)	658,552	971,696
Total capital assets, not being depreciated	478,220	107,976	(146)	684,095	1,270,145
Capital assets, being depreciated:					
Infrastructure	363,588	1,159	-	13,966	378,713
Buildings, Easements and improvements	986,846	12,529	-	927,264	1,926,639
Equipment, software and vehicles	247,329	19,324	(19,145)	17,833	265,341
Total capital assets, being depreciated	1,597,763	33,012	(19,145)	959,063	2,570,693
Less accumulated depreciation for:					
Infrastructure	(158,099)	(14,268)	-	-	(172,367)
Buildings and improvements	(480,982)	(16,818)	-	(454,335)	(952,135)
Equipment, software and vehicles	(174,566)	(25,525)	11,734	-	(188,357)
Total accumulated depreciation	(813,647)	(56,611)	11,734	(454,335)	(1,312,859)
Total capital assets, being depreciated, net	784,116	(23,599)	(7,411)	504,728	1,257,834
Governmental activities, capital assets, net	$ 1,262,336	$ 84,377	$ (7,557)	$ 1,188,823	$ 2,527,979
Business-type activities					
Capital assets, not being depreciated:					
Land	$ 6,310	$ -	$ -	$ -	$ 6,310
Construction in progress	663,558	114,898	-	(757,098)	21,358
Total capital assets, not being depreciated	669,868	114,898	-	(757,098)	27,668
Capital assets, being depreciated:					
Buildings and improvements	943,270	244	(309)	(915,570)	27,635
Equipment and vehicles	267,839	5,920	(4,950)	29,517	298,326
Total capital assets, being depreciated	1,211,109	6,164	(5,259)	(886,053)	325,961
Less accumulated depreciation for:					
Buildings and improvements	(438,056)	(34,456)	309	455,701	(16,502)
Equipment and vehicles	(172,075)	(39,451)	4,747	(1,373)	(208,152)
Total accumulated depreciation	(610,131)	(73,907)	5,056	454,328	(224,654)
Total capital assets, being depreciated, net	600,978	(67,743)	(203)	(431,725)	101,307
Business-type activities, capital assets, net	$ 1,270,846	$ 47,155	$ (203)	$ (1,188,823)	$ 128,975

(6) Capital Assets (Continued)

Capital asset activity for the Housing Authority for the fiscal year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Reductions/ Adjustments	Balance, June 30, 2017
Capital assets, not being depreciated:				
Land	$ 24,507	$ -	$ (3,161)	$ 21,346
Construction in progress	2,745	412	(2,663)	494
Total capital assets, not being depreciated	27,252	412	(5,824)	21,840
Capital assets, being depreciated:				
Buildings and improvements	84,242	428	(181)	84,489
Furniture and equipment	4,533	35	(438)	4,130
Total capital assets, being depreciated	88,775	463	(619)	88,619
Less accumulated depreciation for:				
Buildings and improvements	(39,407)	(2,737)	102	(42,042)
Furniture and equipment	(4,278)	(142)	468	(3,952)
Total accumulated depreciation	(43,685)	(2,879)	570	(45,994)
Total capital assets, being depreciated, net	45,090	(2,416)	(49)	42,625
Housing Authority's business-type activities	72,342	$ (2,004)	$ (5,873)	64,465
Housing Authority's discrete component units' capital assets, as of December 31, 2016	343,978			367,162
Housing Authority capital assets, net	$ 416,320			$ 431,627

A copy of each of the Housing Authority's component units' separately issued audited financial statements can be obtained from the Housing Authority's management.

Capital asset activity for the FIRST 5 for the fiscal year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Reductions/ Adjustments	Balance, June 30, 2017
Capital assets, not being depreciated:				
Land	$ 2,358	$ -	$ -	$ 2,358
Capital assets, being depreciated:				
Buildings and improvements	4,395			4,395
Furniture and equipment	277	-	-	277
Total capital assets, being depreciated	4,672	-	-	4,672
Less accumulated depreciation for:				
Buildings and improvements	(2,399)	(215)	-	(2,614)
Furniture and equipment	(276)	(1)	-	(277)
Total accumulated depreciation	(2,675)	(216)	-	(2,891)
Total capital assets, being depreciated, net	1,997	(216)	-	1,781
FIRST 5 capital assets, net	$ 4,355	$ (216)	$ -	$ 4,139

(6) Capital Assets (Continued)

Capital asset activity for the Health Authority for fiscal year ended June 30, 2017, was as follows:

	July 1, 2016	Additions	Adjustments	June 30, 2017
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 6,403	$ -	$ 6,403
Capital assets, being depreciated:				
Furniture and equipment	9,237	1,297	(244)	10,290
Leasehold improvements	664	95	-	759
Software	3,816	-	-	3,816
Total capital assets, being depreciated	13,717	1,392	(244)	14,865
Less accumulated depreciation for:				
Furniture and equipment	(7,165)	(1,095)	-	(8,260)
Leasehold improvements	(465)	(128)	-	(593)
Software	(1,145)	(763)	-	(1,908)
Total accumulated depreciation	(8,775)	(1,986)	-	(10,761)
Total capital assets, being depreciated, net	4,942	(594)	(244)	4,104
Health Authority capital assets, net	$ 4,942	$ 5,809	$ (244)	$ 10,507

Depreciation

Depreciation expense was charged to governmental functions for the year ended June 30, 2017, as follows:

General government	$ 27,151
Public protection	5,369
Public ways	13,495
Health and sanitation	507
Public assistance	567
Education	1,823
Recreation	2,384
Amount reported in the internal service funds	5,315
Total depreciation expense - governmental functions	$ 56,611

Depreciation expense was charged to the business-type functions for the year ended June 30, 2017 as follows:

SCVMC	$ 66,876
Valley Health Plan	6,376
Airport	602
Sanitation District	53
Total depreciation expense - business-type functions	$ 73,907

(6) Capital Assets (Continued)

Capital Projects Commitments

As of June 30, 2017, the SCVMC and the Airport have active construction projects that include construction and improvements projects for SCVMC and infrastructure and facility improvement of airport projects.

The County's commitments for business-type activities as of June 30, 2017, are as follows:

Projects	Expended to June 30, 2017	Committed as of June 30, 2017
SCVMC Projects	$ 20,448	$ 743
Airport Projects	910	-
Total	$ 21,358	$ 743

Nonmajor governmental funds (Special Revenue and Capital Projects Funds) also have active construction projects as of June 30, 2017. They are as follows:

- Road projects include: roads, highway and bridge repair, maintenance and improvements; Intelligent Transportation System; neighborhood protection projects; spot safety projects; and pedestrian and bicycle route improvements.

- Parks projects include: Martial Cottle development; Hellyer Park playground renovation; Calero & Rancho San Vicente Trails master plan implementation; and improvement to County Parks facilities.

- Hospital projects include: Seismic compliance upgrades and improvements on SCVMC facilities.

- General capital projects include: construction, design and development of correctional facilities such as main jail east; energy projects such as R4R developer qualifying phase; and repair, rehabilitation and improvement of County buildings; information technology projects such as Tax Collector Apportionment System functional improvements and DNA Backlog reduction program.

The County's governmental activities commitments at June 30, 2017, are as follows:

Projects	Expended to June 30, 2017	Committed as of June 30, 2017
Road projects	$ 60,381	$ 12,527
Park projects	53,093	3,486
Hospital projects	725,501	30,236
General capital projects	132,721	39,187
Total	$ 971,696	$ 85,436

(7) Capital Leases

The County leases certain vehicles and equipment, obtained under various lease financing agreements. The leases expire at various times through fiscal year 2022. As of June 30, 2017, the governmental activities' capital assets and accumulated depreciation under capital leases are:

Description		
Equipment and vehicles	$	3,945
Less accumulated depreciation		(1,695)
Net capital assets	$	2,250

The future minimum lease payments under governmental activities capital leases are:

Fiscal year ending June 30, 2017		
2018	$	800
2019		800
2020		800
2021		131
2022		129
Total		2,660
Amount representing interest at rates from 2.03% to 5.39%		(119)
Present value of future minimum lease payments	$	2,541

(8) Long-Term Liabilities

As of June 30, 2017, outstanding long-term obligations consisted of the following:

Type of indebtedness (purpose)	Final Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
Governmental Activities:					
2007 Taxable Pension Funding Bonds	8/1/17 - 8/1/36	5.943% - 6.111%	$4,924 - $51,560	$ 389,485	$ 362,472
2009 Series A General Obligation Bonds	8/1/17 - 8/1/39	3.00% - 5.00%	$1,900 - $32,500	350,000	311,000
2013 Series B General Obligation Bonds	8/1/17 - 8/1/43	3.00% - 5.00%	$7,055 - $29,340	490,000	473,845
2016 New Clean Renewable Energy Bonds	10/1/17 - 10/1/30	3.87%	$2,261 - $2,456	33,000	33,000
Financing Authority:					
2008 Series A Lease Revenue Bonds	11/15/17 - 11/15/22	5.00%	$12,540 - $15,895	126,410	85,130
2008 Series L Lease Revenue Bonds	5/15/2018	5.00%	$1,235	59,800	1,235
2008 Series M Lease Revenue Bonds	5/15/18 - 5/15/35	(1)	$4,850 - $8,300	143,105	115,900
2011 Series A Lease Revenue Bonds	2/1/18 - 2/1/26	5.90%	$871 - $1,393	20,368	10,308
2011 Series B Lease Revenue Bonds	2/1/18 - 2/1/26	4.91%	$256- $282	3,639	2,416
2012 Series A Lease Revenue Bonds	2/1/18 - 2/1/24	4.00% - 5.00%	$1,642 - $2,180	19,316	13,352
2014 Series O Lease Revenue Bonds	5/15/18 - 5/15/23	3.00% - 4.00%	$1,250 - $1,490	11,715	8,200
2015 Series P Lease Revenue Bonds	5/15/18 - 5/15/31	5.00%	$4,980 - $9,400	102,435	97,690
2016 Series Q Lease Revenue Bonds	5/15/18 - 5/15/37	2.25% - 5.00%	$2,260 - $18,315	168,345	168,345
2016 Series A Lease Revenue Bonds	11/15/23 - 11/15/25	3.00% - 5.00%	$13,265 - $14,620	41,810	41,810
Silicon Valley Tobacco Securitization Authority:					
Tobacco Settlement Asset-Backed Bonds	6/1/36 - 6/1/56	5.63% - 6.85%	$11,339 - $43,604	102,030	102,030
Total governmental activities				$ 2,061,458	$ 1,826,733
Business-Type Activities					
SCVMC:					
Financing Authority:					
2012 Series A Lease Revenue Bonds	2/1/18 - 2/1/24	4.00% - 5.00%	$5,748- $7,630	67,604	46,733
Total SCVMC				67,604	46,733
Airport:					
ABAG Series 2002-1 Lease Revenue Bonds	7/1/17 - 7/1/32	4.65% - 5.00%	$170 - $355	6,780	4,060
Total business-type activities				$ 74,384	$ 50,793

(1) Variable rate, 0.91% effective as of June 30, 2017.

(8) Long-Term Liabilities (Continued)

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2017:

	Balance, June 30, 2016	Additions	Retirements	Transfers	Balance, June 30, 2017	Amounts Due Within One Year
Governmental activities:						
Lease Revenue Bonds	$ 177,145	$ 602	$ (18,085)	$ 384,724	$ 544,386	$ 29,884
Unamortized premium	17,629	136	(1,253)	27,741	44,253	3,840
Tobacco Settlement Asset-Backed Bonds	102,030	-	-	-	102,030	-
Accreted interest on capital appreciation bonds	74,559	10,583	-	-	85,142	-
Taxable Pension Funding Bonds	367,119	-	(4,647)	-	362,472	4,924
Accreted interest on capital appreciation bonds	53,246	7,452	(3,223)	-	57,475	3,956
Certificates of Participation	2,890	-	(2,890)	-	-	-
Unamortized premium	94	-	(94)	-	-	-
General Obligation Bonds	792,585	-	(7,740)	-	784,845	8,955
Unamortized premium	46,565	-	(1,778)	-	44,787	1,778
New Clean Renewable Energy Bonds	33,000	-	-	-	33,000	2,261
Subtotal governmental bonds	1,666,862	18,773	(39,710)	412,465	2,058,390	55,598
Capital Lease Obligations (Note 7)	3,347	-	(806)	-	2,541	747
Accrued litigation liability	7,800	700	-	-	8,500	-
Insurance claims (Note 13)	155,894	69,790	(58,912)	-	166,772	42,479
Pollution remediation obligations (Note 15)	12,901	194	-	-	13,095	-
Accrued vacation & sick leave	160,093	120,837	(112,394)	-	168,536	18,009
Total governmental activities	$ 2,006,897	$ 210,294	$ (211,822)	$ 412,465	$ 2,417,834	$ 116,833
Business-type activities:						
SCVMC Lease Revenue Bonds	$ 466,727	$ 41,208	$ (76,478)	$ (384,724)	$ 46,733	$ 5,748
Unamortized premium	27,310	9,334	(3,224)	(27,741)	5,679	862
Subtotal SCVMC bonds	494,037	50,542	(79,702)	(412,465)	52,412	6,610
Airport Lease Revenue Bonds	4,225	-	(165)	-	4,060	170
Unamortized discount	(14)	-	1	-	(13)	(1)
Subtotal Airport bonds	4,211	-	(164)	-	4,047	169
Accrued vacation & sick leave	81,303	79,467	(73,540)	-	87,230	15,474
Total business-type activities	$ 579,551	$ 130,009	$ (153,406)	$ (412,465)	$ 143,689	$ 22,253
Component Units:						
Housing Authority:						
Notes payable	$ 1,398	$ -	$ -	$ -	$ 1,398	$ 20
Other blended component unit debt	49,723	-	(1,355)	-	48,368	679
Payment in lieu of taxes	3	1	(1)	-	3	-
Accrued vacation & sick leave	1,013	128	(16)	-	1,125	210
Interest payable	14,244	2,809	(2,365)	-	14,688	995
Housing Authority's business type activity	66,381	$ 2,938	$ (3,737)	$ -	65,582	1,904
Housing Authority's discrete component units' long-term obligations as of December 31, 2016						
Notes, loans, and bonds payable	183,540				180,081	4,217
Long-term interest payable	19,268				14,516	1,822
Housing Authority's discrete component units	202,808				194,597	6,039
Total Housing Authority	$ 269,189				$ 260,179	$ 7,943
FIRST 5:						
Accrued vacation & sick leave	$ 209	$ -	$ (8)	$ -	$ 201	$ -

A copy of each of the Housing Authority's component units separately issued audited financial statements can be obtained from the Housing Authority's management.

(8) Long-Term Liabilities (Continued)

(a) Governmental Activities

2006 Series TT Vector Control Certificates of Participation

During November 2006, the County issued 2006 Series TT Certificates of Participation (2006 Certificates) in the amount of $4,495 through the California Special Districts Association Finance Corporation to finance the acquisition of an office building. The Certificates bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of June 1, 2027. During June 2017, the County fully repaid the outstanding balance of the 2006 Certificates.

2007 Taxable Pension Funding Bonds

In July 2007, the County issued 2007 Taxable Pension Funding Bonds in the amount of $389,485 to refinance a portion of the County's statutory obligations to make payments to the State of California Public Employees' Retirement System (CalPERS) for certain amounts arising as a result of retirement benefits accruing to County employees. The bonds were comprised of current interest bonds and capital appreciation bonds. The current interest bonds were issued for $302,180 and bear fixed interest rates ranging from 5.863% to 6.11%, and have a final maturity date of August 1, 2036. The capital appreciation bonds were issued for $87,305 with interest rates ranging from 5.74% to 6.14% and have a final maturity date of August 1, 2029.

2009 Series A and 2013 Series B General Obligation Bonds

On November 4, 2008, the County voters approved Measure A – Hospital Seismic Safety and Medical Facilities authorizing the issuance of $840,000 in general obligation bonds to rebuild and improve the seismically deficient medical facilities.

On May 27, 2009, the County issued 2009 Series A General Obligation Bonds in the amount of $350,000. The bonds bear fixed interest rates ranging from 3.00% to 5.00% which are payable semi-annually commencing February 1, 2010 and have a final maturity of August 1, 2039.

On March 6, 2013, the County issued 2013 Series B General Obligation Bonds in the amount of $490,000. The bonds bear fixed interest rates ranging from 3.00% to 5.00% which are payable semi-annually commencing August 1, 2013. The series will mature on August 1, 2043.

Silicon Valley Tobacco Securitization Authority

In accordance with GASB Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, the Silicon Valley Tobacco Securitization Authority (JPA) and the Santa Clara County Tobacco Securitization Corporation (Corporation) have been included in the basic financial statements as blended component units of the County. The Corporation borrowed from the JPA the proceeds of the Series 2007 Tobacco Settlement Asset-Backed Bonds issued by the JPA on January 12, 2007 for $102,030 pursuant to a secured loan agreement. The Corporation then applied the loan proceeds to purchase the County's portion of its rights, title and interest in the Tobacco Settlement Revenues (TSRs) according to a purchase and sale agreement dated as of January 1, 2007 between the County and the Corporation (sale agreement). The Series 2007 Bonds are primarily secured by a portion of TSRs that are payable to the County and sold to the Corporation pursuant to the sale agreement.

(8) Long-Term Liabilities (Continued)

The first Series A Capital Appreciation Bonds (CABs) were issued for $43,604 with an interest rate of 5.63%, final turbo redemption date on June 1, 2031 and due date of June 1, 2036. The second Series A CABs were issued for $11,338 with an interest rate of 5.68%, final turbo redemption date on June 1, 2033 and due date on June 1, 2041. The third Series A CABs were issued for $13,618 with an interest rate of 5.70%, final turbo redemption date on June 1, 2036 and due date on June 1, 2047.

Series B CABs were issued for $4,408 with an interest rate of 5.85%, final turbo redemption date on June 1, 2036 and due date of June 1, 2047. Series C CABS were issued for $20,161 with an interest rate of 6.30%, final turbo redemption date on June 1, 2042 and due date of June 1, 2056. Series D CABs were issued for $8,901 with an interest rate of 6.85%, final turbo redemption date on June 1, 2046 and due date of June 1, 2056.

On June 15, 2016, Fitch Ratings withdrew all ratings assigned to U.S. Tobacco Settlement Asset-Backed securities including the Authority's Tobacco Settlement Asset-Backed Bonds.

In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Securitization debt, neither the JPA, the County, nor Corporation has any liability to make up any such shortfall.

2016 Taxable New Clean Renewable Energy Bonds

On October 22, 2015, in lieu of issuing $33,000 of taxable New Clean Renewable Energy Bonds (NCREB) with a 15-year term to finance the acquisition and installation of six photovoltaic systems, the "renewable energy equipment," that constitute "qualified renewable energy facilities" within the meaning of Section 54C of the Internal Revenue Code of 1986, the County sold and delivered to Banc of America Leasing & Capital, LLC, a Taxable NCREB Equipment Lease/Purchase Agreement. The aggregate principal component of rental payments total $33,000, with a fixed interest rate of 3.87% and a final payment date of October 1, 2030. Interest payments total $10,913, of which $9,119 or 83.6% will be recouped from federal direct pay subsidies.

The debt proceeds were deposited in an escrow account to be drawn down during the "acquisition period" from the closing date to the fifth business day prior to April 20, 2017, which was subsequently extended to March 31, 2018. The first rental payment was due on October 1, 2016, corresponding to the first interest payment of the bond. Rental payments are paid from the County's General Fund or other funds legally available for the Agreement.

(8) Long-Term Liabilities (Continued)

Financing Authority

The Financing Authority was formed in 1994 by a joint exercise of powers agreement between the County and the Santa Clara County Central Fire Protection District (Central Fire). The Financing Authority commenced operations in the County with the issuance of bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The County leases to, and then leases back from, the Financing Authority the projects financed along with the real property on which they are situated.

Division of the Lease Revenue Bonds

Before June 30, 2017, the County allocated lease revenue bonds between the governmental activities and the business-type activities (SCVMC) based on the activities' usage of bonds proceeds as follows:

Lease Revenue Bonds:	Governmental Activities	Business-type Activities
1994 Series B	1.4%	98.6%
Housing Authority - 2004 Series A	100.0%	0.0%
Housing Authority - 2006 Series A	100.0%	0.0%
2007 Series K	24.2%	75.8%
2008 Series A	4.4%	95.6%
2008 Series L	53.0%	47.0%
2008 Series M	0.0%	100.0%
2011 Series A	100.0%	0.0%
2011 Series B	100.0%	0.0%
2012 Series A	22.2%	77.8%
2014 Series O	100.0%	0.0%
2015 Series P	58.8%	41.2%
2016 Series Q	38.5%	61.5%
2016 Series A	1.4%	98.6%

On June 30, 2017, the County transferred SCVMC's allocation of the lease revenue bonds balance to the governmental activities, except for SCVMC's allocation of the 2012 Series A Lease Revenue Bonds used to finance the Santa Clara Valley Health and Hospital System Enterprise Core Health Care Information System.

1994 Series B Lease Revenue Bonds - On December 15, 1994, the Financing Authority issued the 1994 Series B Lease Revenue Bonds. The proceeds financed the design, construction, remodeling, and equipping of existing and new medical facilities at the SCVMC. The 1994 Series B Bonds, issued for $51,500, bear interest at variable rates set daily, weekly, semi-annually, or on a term basis, as determined by the remarketing agent. The 1994 Series B Bonds also contain an early redemption provision, allowed at call rates of 100% of the bonds' face value, plus accrued interest. On September 20, 2016, the 1994 Series B Bonds' outstanding principal balance of $51,500 was fully refunded with the issuance of the 2016 Series A Lease Revenue Bonds.

The 1994 Series B Bonds are secured by an irrevocable letter of credit (credit facility) pursuant to a Standby Bond Purchase Agreement with JP Morgan Chase Bank N.A. dated November 1, 2000. The credit facility expired on November 1, 2016. For the year ended June 30, 2017, the Financing Authority paid an annual commitment fee in the amount of $73.

(8) Long-Term Liabilities (Continued)

Housing Authority 2004 Series A and 2006 Series A Lease Revenue Bonds - On September 1, 2004, the County through the Financing Authority issued 2004 Series A Lease Revenue Bonds in the amount of $3,550 that bear interest that is set each week by the remarketing agent based upon prevailing interest rates for 7-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week. On October 19, 2006, the Financing Authority issued $5,125 of 2006 Lease Revenue Bonds (2006 Bonds) on behalf of the Santa Clara County. The bond proceeds were used to provide additional financing for the renovation of an office building used by the Housing Authority. The 2006 Bonds bear fixed interest rates of 5.00% and are payable semi-annually commencing September 1, 2008 and mature on September 1, 2038. The Housing Authority, through the Financing Authority, fully repaid the 2004 Series A and 2006 Series A Bonds in March 2017.

2007 Series K Lease Revenue Bonds - On August 15, 2007, the Financing Authority issued $93,540 of 2007 Series K Lease Revenue Bonds on behalf of the County and SCVMC. The bond proceeds were used for (i) the acquisition, site preparation, construction, furnishing and equipping of the Fleet Facility; (ii) the acquisition, site preparation, construction, furnishing and equipping of the Milpitas Health Clinic, including a nearby parking garage; and (iii) the seismic retrofitting of the Los Gatos Courthouse and the Hall of Justice – West. The bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of May 15, 2037. On June 8, 2016, $78,965 of the bonds were advance refunded by 2016 Series Q Lease Revenue Bonds. The remaining unrefunded portion of $2,335 was paid on May 15, 2017.

2008 Series A Lease Revenue Bonds - On February 14, 2008, the Financing Authority issued $126,410 of 2008 Series A Lease Revenue Bonds on behalf of the County and SCVMC to current refund a portion of outstanding 1997 Series A Lease Revenue Bonds. The 2008 Series A Bonds net proceeds and amounts available from the refunded bonds were used to establish a refunding escrow on the date of the issuance of the 2008 Series A Lease Revenue Bonds. The 1997 Series A Lease Revenue Bonds in the amount of $131,415 were redeemed on March 17, 2008. The 2008 Series A Lease Revenue Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity date of November 15, 2022.

2008 Series L Lease Revenue Bonds - On May 22, 2008, the Financing Authority issued $112,840 of 2008 Series L Lease Revenue Bonds on behalf of the County and SCVMC to refund the County's outstanding 2003 Series D and 2005 Series H Bonds, and SCVMC's outstanding 2006 Series J Lease Revenue Bonds. The 2008 Series L Lease Revenue Bonds bear fixed interest rates ranging from 4.00% to 5.25% and have a final maturity date of May 15, 2036. On June 8, 2016, $101,890 of the bonds were advance refunded with the 2016 Series Q Lease Revenue Bonds. The remaining unrefunded portion of $1,235 is due on May 15, 2018.

2008 Series M Lease Revenue Bonds - On May 29, 2008, the Financing Authority issued $143,105 of 2008 Series M Lease Revenue Bonds on behalf of the County and SCVMC. The bond proceeds were used to refund the outstanding 2005 Series F and 2005 Series G Lease Revenue Bonds on June 4, 2008. The bonds initially bear variable interest based on the weekly interest rate as defined in the bond indenture and have a final maturity date of May 15, 2035.

(8) Long-Term Liabilities (Continued)

The Financing Authority obtained an irrevocable letter of credit as a credit facility with Bank of America, N.A. The letter of credit is set to expire on August 13, 2018. Any unreimbursed draws made would convert to Bank Bonds with repayments made in accordance with the maturity schedule provided in the Trust Agreement and these Bank Bonds would bear interest at the Bank Rate which is up to 12% per annum. The Financing Authority is required to pay Bank of America, N.A. an annual commitment fee of 0.35% based on the outstanding principal amount of the bonds supported by the credit facility. For the year ended June 30, 2017, the Financing Authority paid an annual commitment fee in the amount of $436.

Interest Rate Swap Related to the 2008 Series M Lease Revenue Bonds

In May 2005, the County through the Financing Authority issued 2005 Series F and 2005 Series G Lease Revenue Bonds (2005 Series F and G Bonds) in the amount of $71,025 and $71,025, respectively. The bonds were issued to provide funds for the Charcot Center, Valley Specialty Center and Morgan Hill Courthouse. In May 2008, the County through the Financing Authority issued lease revenue bonds 2008 Series M in the amount of $143,105 to fully refund the 2005 Series F and G Bonds in the total amount of $142,050. The difference of principal amount between the 2008 Series M Bonds and the refunded 2005 Series F and G Bonds in the amount of $1,055 represents additional funding for the cost of issuance of 2008 Series M and was fully paid in fiscal year 2011. The payment schedule for the 2008 Series M starting fiscal year 2012 remains the same as the combined debt service schedule for the refunded 2005 Series F and G Bonds.

Objective of the Interest Rate Swaps. As a means to lower its borrowing costs, when compared with fixed-rate bonds at the time of issuance in May 2005, the Financing Authority entered into interest rate swap agreements with Citibank, N.A. (Citibank) in connection with its $71,025 Series F and $71,025 Series G variable rate lease revenue bonds. The intention of the swaps was to effectively change the Financing Authority's variable interest rates on the 2005 Series F and G Bonds to a synthetic fixed rate of 3.185%. The Financing Authority continued to hedge the 2008 Series M Bonds with the 2005 swap agreement.

Significant Terms. The bonds and related swap agreements both mature on May 15, 2035. The swaps' notional amount matches the outstanding principal amount of the 2008 Series M variable rate bonds. The swaps were entered into at the same time the 2005 Series F and G Bonds were issued in May 2005. Starting in fiscal year 2012, the notional value of the swaps declined as the principal amount of the associated debt began to be repaid. Under the swaps, the Financing Authority pays the counterparty a fixed payment of 3.185% and receives a variable payment computed as 56.5% of USD-LIBOR-BBA plus 0.33%.

Fair Value. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair value hierarchy of the interest rate swap is Level 2. Because interest rates have declined since the execution of the swaps, the swaps have a negative fair value of $16,452 as of June 30, 2017.

(8) Long-Term Liabilities (Continued)

Credit Risk. The aggregate fair value of the swaps represented the Financing Authority's credit exposure to the counterparties as of June 30, 2017. Should the counterparties fail to perform according to the terms of the swap contracts, the Financing Authority faces a maximum possible loss equivalent to the aggregate fair value of the swaps. At June 30, 2017, the Financing Authority was not exposed to credit risk because the swaps had a negative fair value of $16,452. To mitigate the potential credit risk, the counterparties are required to post collateral, in the form of cash or federal government securities, if their credit ratings for long-term unsecured debt obligations fall below "A" by Moody's Investors Service or "A" by Standard and Poor's or Fitch Ratings. As of June 30, 2017, Citibank's ratings were A by Moody's, A by Standard and Poor's, and A by Fitch Ratings.

Basis Risk. The Financing Authority has chosen a variable index based on a percentage of LIBOR plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Financing Authority is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. As a result of changing basis between LIBOR and the rate on the Financing Authority's bonds during the course of the year, the synthetic fixed rate for the fiscal year ended June 30, 2017, was 3.078%.

Termination Risk. The Financing Authority or Citibank may terminate the swaps if the other party fails to perform under the terms of the contract. The swaps may be terminated by the Financing Authority if Citibank's credit rating of long-term, unsecured, unenhanced senior debt obligations is withdrawn, suspended or falls below "Baa1" as determined by Moody's Investors Service, or "BBB+" as determined by Standard and Poor's, or fail to have any rated long-term, unsecured, unenhanced senior debt obligations. The swaps may be terminated by Citibank if the County's rating of long-term, unsecured, unenhanced senior debt obligations or lease obligations of the County is withdrawn, suspended or falls below "Baa3" as determined by Moody's Investors Service, or "BBB-" as determined by Standard and Poor's, or the County fails to have any rated long-term, unsecured, unenhanced senior debt obligations or lease obligations.

Counterparty Risk. The Financing Authority is exposed to counterparty risk, which is related to credit and termination risk. The termination of the swaps may result in a payment to the counterparty. The Financing Authority may also be exposed to counterparty risk in a high interest rate environment in the event the counterparty is unable to perform its obligations on a swap transaction leaving the Financing Authority exposed to the variable rates on the associated debt.

Interest Rate Risk. The swaps are structured to reduce the County's exposure to interest rate risk.

Rollover Risk. The Financing Authority is not exposed to rollover risk as the swaps matched the terms of the 2008 Series M Bonds starting in fiscal year 2012.

(8) Long-Term Liabilities (Continued)

Swap Payments and Associated Debt Service Payments. Using rates as of June 30, 2017, debt service requirements of the 2008 Series M Bonds and net swap payments, assuming current interest rates remain the same for the term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Principal	Variable Interest [1]	Net Swap Interest [2]	Total Interest
2018	$ 4,850	$ 1,051	$ 2,504	$ 3,555
2019	5,050	1,007	2,399	3,406
2020	5,200	961	2,290	3,251
2021	5,350	913	2,175	3,088
2022	5,500	864	2,059	2,923
2023-2027	30,300	3,536	8,425	11,961
2028-2032	35,500	2,062	4,913	6,975
2033-2035	24,150	426	1,015	1,441
	$ 115,900	$ 10,820	$ 25,780	$ 36,600

(1) Variable interest on the 2008 Series M Bonds is estimated using interest rate at June 30, 2017 of 0.91%.

(2) Net swap interest on the 2008 Series M Bonds is estimated using USD-LIBOR-BBA rate at June 30, 2017 of 1.216%. Net swap interest at June 30, 2017, is calculated as follows: 3.185% minus (1.216% * 56.5% + 0.33%) equals to 2.168%.

Impact on Financial Statements. The impact of the interest rate swaps on the financial statements for the year ended June 30, 2017, is as follows:

	Deferred outflows of resources	Derivative instrument liabilities
Balance at July 1, 2016	$ 24,799	$ 24,799
Change in fair value	8,347	8,347
Balance at June 30, 2017	$ 16,452	$ 16,452

Derivative instrument liabilities of $16,452 as of June 30, 2017 represent the fair value of the interest rate swap agreements and deferred outflows on resources of $16,452 as of June 30, 2017 represent accumulated decreases in fair value of hedging derivatives.

(8) Long-Term Liabilities (Continued)

2011 Series A & B Qualified Energy Conservation Bonds - On February 10, 2011 the County through the Financing Authority, issued the taxable 2011 Series A Lease Revenue Bonds, Qualified Energy Conservation Bonds (QECB), in the amount of $20,368 pursuant to an allocation to the County by the California Debt Limit Allocation Committee. On October 27, 2011, the Financing Authority issued another series of QECB, 2011 Series B Lease Revenue Bonds, in the amount of $3,639 on behalf of the County. Series A was to finance acquisition, installation, implementation and construction of solar electric generation systems on four County sites, cost of issuance and related fees and expenses. Series B was to fund lighting upgrades and lighting controls with energy efficient systems. Both series will mature on February 1, 2026.

QECBs are a form of taxable lease revenue bonds which receive a direct subsidy payment from the Federal government to help offset the cost of the borrowing. The subsidy is intended to promote qualified energy projects. The federal subsidy equates to approximately 70% of the interest cost of the financing. Effective March 1, 2013, due to sequester reductions, the federal interest subsidy was reduced. From October 1, 2015 to September 2016, the sequestration rate was 6.8%. From October 1, 2016 to September 30, 2017, the sequestration rate was 6.9%. Absent of Congressional action, the sequester reductions will continue through and including federal fiscal year ended September 30, 2021. The sequester reduction percentage will vary between future years.

Debt service payments for the QECBs are serviced by the General Fund. The actual savings will depend on the actual reduction in future utility costs as a result of the solar panel and energy efficient system projects.

2012 Series A Lease Revenue Bonds - On August 8, 2002, the Financing Authority issued $86,920 of 2012 Series A Lease Revenue Bonds on behalf of the County and SCVMC. The bonds were issued to provide funds to finance various public capital improvements and projects related to the Santa Clara Valley Health and Hospital System Enterprise Core Health Care Information System. The 2012 Series A Lease Revenue Bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of February 1, 2024.

2014 Series O Lease Revenue Bonds - On April 22, 2014, the County through the Financing Authority issued $11,715 of 2014 Series O Lease Revenue Bonds. The bond proceeds include premiums of $909 and County contributions of $1,408, of which $1,090 were deposited into the refunding escrow that were used to current refund the outstanding 2003 Series C Lease Revenue Bonds. The bonds bear fixed interest rates ranging from 3.00% to 4.00% and have a final maturity date of May 15, 2023. The refunding achieved $1,724 in gross debt service savings and net present value savings of $1,579.

2015 Series P Lease Revenue Bonds - On June 3, 2015, the Financing Authority issued $102,435 of 2015 Series P Lease Revenue Bonds on behalf of the County and SCVMC. The bond proceeds including part of the bond premium received from the issuance totaled to $117,941 were deposited into the refunding escrow to advance refund the outstanding 2006 Series I Lease Revenue Bonds of $113,140. The bonds bear fixed interest rates of 5.00% and have a final maturity date of May 15, 2031. The refunding achieved $9,779 in gross debt service savings and net present value savings of $7,650.

(8) Long-Term Liabilities (Continued)

2016 Series Q Lease Revenue Bonds - On June 8, 2016, the Financing Authority issued $168,345 of 2016 Series P Lease Revenue Bonds on behalf of the County and SCVMC. The bond proceeds including part of the bond premium received from the issuance totaled $192,789 and were deposited into the refunding escrow to advance refund the outstanding 2007 Series K and 2008 Series L Lease Revenue Bonds of $78,965 and $101,890, respectively. The bonds bear fixed interest rates ranging from 2.25% to 5.00% and have a final maturity date of May 15, 2037. The refunding achieved $49,864 in gross debt service savings and $36,514 in net present value savings. At June 30, 2017, the outstanding defeased 2008 Series L Lease Revenue Bonds were $101,890.

2016 Series A Lease Revenue Bonds - On September 20, 2016, the Financing Authority issued $41,810 of 2016 Series A Lease Revenue Bonds on behalf of the County and SCVMC. The bond proceeds, including bond premium of $9,470 received from the issuance, and funds held by the Financing Authority of $220, totaled to $51,500, were deposited into the refunding escrow to fully refund the 1994 Series B Lease Revenue Bonds of $51,500 ($742 and $50,758 for County's governmental activities and SCVMC, respectively). The bonds bear fixed interest rates of 3.00% to 5.00% and have a final maturity date of November 15, 2025. The refunding eliminated the County's exposure to 1994 Series B Lease Revenue Bonds' unhedged variable rate debt and the need to extend the Standby Bond Purchase Agreement provided by J.P. Morgan, which expired on November 1, 2016. The refunding of this variable rate bonds did not achieve debt service savings or accounting gains or losses.

(b) Business-type Activities

SCVMC

Financing Authority

The Governmental Activities section of this note at (a) describes the business-type activities portions of the Financing Authority's Lease Revenue Bonds.

Airport

On July 1, 2003, the Association of Bay Area Governments (ABAG) issued Series 2002-1 Lease Revenue Bonds, in the amount of $13,370. These bonds were issued to finance or refinance certain capital improvements within their geographical boundaries. On June 4, 2002, the County Board approved a resolution to enter into a lease agreement with ABAG for $6,780 of this debt via a lease/leaseback arrangement of one or more properties to ABAG. The proceeds of the debt provided financing for the acquisition, construction, and renovation of certain capital improvements at the County's airports.

(8) Long-Term Liabilities (Continued)

(c) Repayment Requirements

As of June 30, 2017, the debt service requirements to maturity and the fund types from which principal payments will be made are as follows, excluding capital lease obligations, accrued litigation liability, insurance claims liabilities, pollution remediation obligations, and accrued vacation and sick leave.

Governmental Activities

Fiscal year	Lease Revenue Bonds (1)		Tobacco Securitization Asset-Backed Bonds		New Clean Renewable Energy Bonds	
ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 29,884	$ 19,707	$ -	$ -	$ 2,261	$ 1,233
2019	31,238	18,425	-	-	2,275	1,146
2020	32,665	17,058	-	-	2,290	1,057
2021	34,178	15,625	-	-	2,305	968
2022	35,696	14,172	-	-	2,319	879
2023-2027	166,279	48,665	-	-	11,820	3,032
2028-2032	118,530	24,470	-	-	9,730	756
2033-2037	95,915	6,227	43,604	178,571	-	-
2038-2042	-	-	11,339	66,321	-	-
2043-2047	-	-	18,025	158,675	-	-
2048-2052	-	-	-	-	-	-
2053-2056	-	-	29,062	648,788	-	-
Total	$ 544,386	$ 164,349	$ 102,030	$ 1,052,355	$ 33,000	$ 9,072

Fiscal year	Taxable Pension Funding Bonds		General Obligation Bond	
ending June 30:	Principal	Interest	Principal	Interest
2018	$ 4,924	$ 21,461	$ 8,955	$ 34,463
2019	5,168	22,251	10,235	34,003
2020	5,382	23,112	11,635	33,456
2021	5,597	24,002	13,125	32,837
2022	5,761	24,984	14,710	32,141
2023-2027	30,351	141,872	100,880	147,231
2028-2032	92,199	114,718	156,940	116,255
2033-2037	213,090	34,556	224,145	76,743
2038-2042	-	-	207,130	24,591
2043-2044	-	-	37,090	1,506
Total	$ 362,472	$ 406,956	$ 784,845	$ 533,226

(1) Variable interest on the 2008 Series M Lease Revenue Bonds was estimated using interest rate at June 30, 2017 of 0.91%.

Taxable Pension Funding Bonds are serviced by future charges to County departments. Capital Lease Obligations are serviced by the South Santa Clara County Fire District and the General Fund. Accrued litigation liability, insurance claims payable and accrued vacation and sick leave are generally liquidated by the General Fund.

(8) Long-Term Liabilities (Continued)

Business-type Activities

Fiscal year ending June 30:	SCVMC Lease Revenue Bonds Principal	SCVMC Lease Revenue Bonds Interest	Airport Lease Revenue Bonds Principal	Airport Lease Revenue Bonds Interest
2018	$ 5,748	$ 2,187	$ 170	$ 198
2019	6,036	1,900	180	190
2020	6,339	1,598	190	181
2021	6,654	1,281	200	171
2022	6,988	948	210	161
2023-2027	14,968	904	1,210	632
2028-2032	-	-	1,545	289
2033	-	-	355	9
Total	$ 46,733	$ 8,818	$ 4,060	$ 1,831

(d) Pledged Revenues for Bonds

The lease revenue bonds issued by the Financing Authority are payable by a pledge of revenues from the base rental payments payable by the County, SCVMC, and the Housing Authority, pursuant to the Master Facility Lease Agreements between the County and the Financing Authority and between the Housing Authority and the Financing Authority for the use of facilities acquired or constructed by the Financing Authority. Under California law, the County, SCVMC, and the Housing Authority cannot make lease payments until the County, SCVMC, and the Housing Authority have constructive use or occupancy of the property being financed. Once construction is completed, the leases act like direct financing leases with lease payments equal to debt service payments. Total debt service requirements remaining on the lease revenue bonds is $764,286 payable through May 15, 2037. For the fiscal year ended June 30, 2017, the total lease payments made by the County, SCVMC, and the Housing Authority totaled to $67,108 and total debt service payments paid by the Financing Authority totaled to $68,274.

The County's Series 2007 Tobacco Settlement Asset-Backed Bonds are secured by the pledge of future tobacco settlement revenues made by participating cigarette manufacturers to the County. Tobacco settlement revenues due to the County on and after January 1, 2026 have been pledged until June 1, 2056, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1,154,385. The County did not receive any tobacco settlement revenues for the bonds nor made any debt service payments on these bonds during the fiscal year ended June 30, 2017.

The County's Series 2009 and 2013 General Obligation Bonds are payable from pledged ad valorem property taxes until August 1, 2039 and August 1, 2043, the final maturity dates of the bonds. The total principal and interest remaining on these bonds is approximately $1,318,071. For the fiscal year ended June 30, 2017, the County collected $43,174 in ad valorem property taxes and made total debt service payments in the amount of $42,587.

The Airport's lease revenue bonds are secured by the pledge of revenues generated by the Airport and paid to ABAG as lease payments. The leases act like direct financing leases with lease payments received by ABAG equal to debt service payments made by the Airport. These revenues have been pledged until July 1, 2032, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $5,891. For the fiscal year ended June 30, 2017, the total principal and interest payment made by the Airport totaled to $366.

(8) Long-Term Liabilities (Continued)

(e) Legal Debt Margin

As of June 30, 2017, the County's legal debt limit (1.25% of the total assessed valuation) was $5.39 billion. At June 30, 2017, the County has debt in the amount of $829.6 million applicable to the limit outstanding and the legal debt margin was $4.56 billion.

(f) Arbitrage Rebate Payable

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the federal government in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed. Amounts in excess of allowable investment earnings are held pursuant to the Trust Indentures. Following the refunding of 1994 Series B Lease Revenue Bonds and payment of the related arbitrage rebate payable in November 2016, the County did not accrue any amounts for arbitrage rebate payable at June 30, 2017.

(8) Long-Term Liabilities (Continued)

(g) Housing Authority Long-term Obligations

Outstanding notes, loans, and bonds payable for the Housing Authority consisted of the following:

Type of indebtedness (purpose)	Maturity	Interest Rates	Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
Business-type activities - notes payable:					
Redevelopment Agency of the City of Morgan Hill	6/15/2021	1.00%	(1)	$ 425	$ 425
City of San Jose (Morrone Gardens)	9/23/2024	4.00%	(1)	973	973
Subtotal				$ 1,398	1,398
Other blended component unit notes, loans and bonds payable (as of December 31, 2016)					
AE Associates, Ltd.					4,535
Blossom River Associates, LP					15,298
Helzer Associates, LP					20,521
Klamath Associates, LP					1,116
Rotary Plaza/HACSC HDC, Inc.					3,317
San Pedro Gardens Associates, Ltd.					1,586
S.P.G. Housing, Inc.					1,995
Subtotal					48,368
Discrete component units (as of December 31, 2016):					
Bascom HACSC Associates					12,295
Bendorf Drive, L.P.					15,405
Branham Lane					2,511
Clarendon Street, L.P.					5,987
Fairground Luxury Family Apartments, L.P.					39,539
Fairground Senior Apartments, L.P.					20,524
HACSC/Choices Family Associates					8,073
HACSC/Choices Senior Associates					5,417
Hermocilla LLC					1,847
Huff Avenue Associates					3,730
Julian Street Partners, L.P.					13,986
Laurel Grove Lane, L.P.					4,531
McCreery Avenue, L.P.					15,138
Opportunity Center Associates					10,674
Park Avenue Seniors, L.P.					71
Rincon Gardens Associates, L.P.					14,043
South Drive LLC					2,566
Willow/HACSC Associates					3,744
Subtotal					180,081
Total Housing Authority					$ 229,847

(1) Deferred until maturity

(8) Long-Term Liabilities (Continued)

The debt service requirements to maturity for the Housing Authority's business-type activity's notes payable are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ 20	$ 43
2019	-	43
2020	-	43
2021	-	43
2022	-	43
2023 - 2025	1,378	170
Total	$ 1,398	$ 385

A copy of each of the Housing Authority's blended and discretely presented component units' separately issued audited financial statements can be obtained from the Housing Authority's management.

(9) Healthcare Programs

(a) Santa Clara Valley Medical Center

Net Patient Revenues - The SCVMC provides a continuum of acute and outpatient care. The SCVMC grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered at the SCVMC, including estimated retroactive adjustments under reimbursement agreements due to future audits, reviews and investigations with federal and state government programs and other third-party payers (contractual allowances) and the uncollectible portion of patient service revenues (bad debts provision). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Net patient service revenues are calculated for the fiscal year ended June 30, 2017, as follows:

Patient service revenues	$ 4,066,484
Contractual allowances	(2,674,094)
Bad debts provision	(7,974)
Net patient service revenues	$ 1,384,416

A substantial portion of the SCVMC's patient service revenues are derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Revenues from the Medi-Cal and Medicare programs represents approximately 67% and 14%, respectively, of net patient service revenue (excluding the effects of bad debts provision) for the fiscal year ended June 30, 2017. Reimbursement for services provided under these programs is currently based on various contractual arrangements.

(9) Healthcare Programs (Continued)

Third-Party Payers - The SCVMC has agreements with third-party payers that provide for reimbursement to the SCVMC at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the SCVMC's established rates and amounts reimbursed by third-party payers. Major third-party payers with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-Cal Hospital/Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The SCVMC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program (LIHP). The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation.

The Bridge to Heath Care Reform waiver expired October 31, 2015. On December 30, 2015, the Centers for Medicare and Medicaid Services (CMS) approved Medi-Cal 2020, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift the focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component to public hospitals' ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and federal audit and final reconciliation. SCVMC has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under PRIME, GPP, and Whole Person Care Pilot Program were approximately $57.0 million, $132.0 million, and $16.8 million, respectively, for the fiscal year ended June 30, 2017.

(9) Healthcare Programs (Continued)

Transactions with VHP - The SCVMC received a total of $279.2 million in fiscal year 2017 from VHP and is reported as a component of net patient service revenues on the Statement of Revenues, Expenses and Changes in Net Position.

Due to Other Governmental Agencies - As of June 30, 2017, the SCVMC recorded approximately $255.1 million in due to other governmental agencies, which was comprised $236.7 million in unearned credits related to receipts under SNCP and AB915 programs and $18.4 million related to receipts under the SB1732 program.

Charity Care - The SCVMC has a policy for providing charity care to patients who are otherwise unable to afford health care services. Generally, charity care recipients are those patients for which an indigency standard has been established and for which the patient qualifies. Inability to pay may be determined through an interview process by the SCVMC, by the Department of Revenue, or by an outside collection agency. Determination of charity care status may be made prior to or at the time of service, or any time thereafter. The total amount of such charity care provided by the SCVMC for the fiscal year ended June 30, 2017, based on the cost incurred to perform these services, is as follows:

Charity care, at cost	$	35,393
Percentage of operating expenses		2%

Charity care at cost is calculated excluding the impact of other revenue received listed above.

(b) Valley Health Plan

Commercial Plan - The Valley Health Plan (VHP) is a health care service plan licensed pursuant to the Knox-Keene Health Care Service Plan Act of 1975, as amended, and the regulations promulgated there under (collectively, "Knox-Keene Act"). VHP was licensed in September 1985 for the purpose of providing comprehensive health care services on a prepaid basis to the County's active and retired employees, the Santa Clara County Valley Transportation Authority's active and retired employees, and other non-profit agencies which have a contractual relationship with the County. Two other groups – the Council on Aging and the In-Home Supportive Services started their coverage in July 2000 and September 2000, respectively. Under the Affordable Care Act, Valley Health Plan started to enroll members through the State (Covered California) beginning January 1, 2014.

Premium Revenues - Membership contracts are on a yearly basis subject to cancellation by the employer group or VHP upon 30 days written notice. Premiums are due either bi-weekly or monthly and are recognized as revenue during the period in which VHP is obligated to provide services to members. VHP receives both premium payments from Covered California individuals and subsidies from the federal government on a monthly basis.

(9) Healthcare Programs (Continued)

Health Care Service Expense - Prior to July 1, 2013, VHP contracted with the SCVMC under a capitation arrangement for the provision of certain medical care services to its members. VHP compensates the SCVMC through this capitation agreement which was an agreed upon percentage of the total premiums. This arrangement subjected the SCVMC to the full risk of all contracted providers. Beginning July 1, 2013, VHP's capitation agreement with the SCVMC only includes payments to SCVMC less the projected payments to other medical groups for the provision of certain medical care services to its member. These other provider groups are paid for services directly from VHP, therefore the risk shifts from the SCVMC to VHP. VHP compensates the SCVMC an agreed upon per member per month rate, while other medical groups are reimbursed on a fee-for service basis. Thus, both VHP and SCVMC share the risk for all incurred but not reported claims and thus, the liabilities are recorded in each fund accordingly. Effective July 1, 2014, VHP assumes all the risk for the Commercial Group population. In addition, VHP assumes all the risk for the Covered California population.

Medi-Cal Managed Care Plan - In December 1996, VHP received approval to participate in the State Department of Health Services' Two-Plan Model for Medi-Cal managed care. VHP contracts with Medi-Cal prepaid health plans and providers to render medical services to eligible Medi-Cal beneficiaries. Beginning on July 1, 1998, VHP also provides coverage for the Healthy Families Program. As of February 2001, the County-Sponsored program, Healthy Kids, started its coverage with VHP. In addition, the plan started to provide coverage for Healthy Workers subscribers (IHSS) in April 2010.

Capitation Revenue - Medi-Cal prepaid health plans (HMOs) contract with VHP to provide medical health care services to Medi-Cal enrollees. VHP is compensated on a fixed payment per member per month.

Capitation Expenses **-** VHP pays hospitals and various clinics a fixed amount per member per month to render medical health care services to its members. VHP pays all federally qualified health clinics on a fee-for-service basis for primary care services rendered to its Medi-Cal members.

Medical Incentive Pool - Under contract, VHP will reserve an agreed upon amount per member per month for each pool based on aid category. Eligibility for annual payment of pro rata shares of the reserve pools will be based on participating clinics meeting VHP designated target goals.

Stop-Loss Insurance - VHP entered into a stop-loss insurance agreement with an insurance company to limit losses on individual claims for its commercial members. Under the terms of this agreement, the insurance company will reimburse approximately 90 percent of the cost of each member's annual hospital services, in excess of a $375 deductible, up to a maximum of $2,000 less applicable deductible per member per contract year.

Malpractice Claims - There have been no malpractice claims asserted against VHP and no incidents occurring through June 30, 2017 that management believes would result in the assertion of claims against VHP.

(10) Net Position/Fund Balances

(a) Net Position Classifications

The government-wide and proprietary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position includes restrictions for parks, mental health, capital facilities, debt service, housing programs, roads and other purposes.

Unrestricted Net Position - This category represents net position of the County not restricted for any project or purpose.

(b) Fund Balances Classifications

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2017, fund balances for government funds are made up of the following:

Nonspendable Fund Balance - This category represents amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - This category represents amounts that can be spent only for specific purposes stipulated by external parties, constitutionally or through enabling legislation.

Committed Fund Balance - This category represents amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The Board is the County's highest level of decision making. The highest level of formal action to commit resources is the passage of ordinances.

Assigned Fund Balance - This category represents amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board, (b) standing committees of the Board, or (c) the Director of Finance. Assignments are established by the Board through resolutions and delegation to the Director of Finance to set aside amounts to cover purchase orders, contracts, and other commitments for the expenditures of monies for budgetary purposes.

Unassigned Fund Balance - This category represents the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

(10) Net Position/Fund Balances (Continued)

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for the governmental funds as of June 30, 2017, were distributed as follows:

	General Fund	Nonmajor Funds	Total
Nonspendable:			
Inventory	$ 2,627	$ 361	$ 2,988
Advance to other fund	399	-	399
Prepaid items	3,940	-	3,940
Subtotal	6,966	361	7,327
Restricted for:			
Child support program	-	2,023	2,023
Clerk recorder program	-	11,314	11,314
Debt service	-	95,214	95,214
Health and human services	46,731	-	46,731
Housing and community development programs	-	18,711	18,711
Law enforcement	54,228	-	54,228
Library services	-	38,458	38,458
Mental health services	-	153,700	153,700
Multiple facilities construction	-	58,446	58,446
Parks acquisition and development projects	-	58,819	58,819
Public ways and facilities	-	21,604	21,604
Stanford trails	-	10,735	10,735
Technology projects	-	724	724
Clean renewable energy projects	-	5,146	5,146
Vector control programs	-	11,221	11,221
Other purposes	19,184	5,699	24,883
Total restricted	120,143	491,814	611,957
Committed to:			
County parks operations	-	24,433	24,433
Environmental health services	-	24,744	24,744
Fire protection services	-	24,500	24,500
General capital improvement projects	-	191,363	191,363
Housing programs	8,982	-	8,982
Postemployment healthcare benefits	23,767	-	23,767
Public ways and facilities	226	432	658
Working capital	25,720	-	25,720
Education	1,708	-	1,708
Other purposes	13,387	714	14,101
Total committed	73,790	266,186	339,976
Assigned to:			
Fire protection services	-	49,614	49,614
General liability program	8,500	-	8,500
Other purposes	14,856	-	14,856
Total assigned	23,356	49,614	72,970
Unassigned	572,269	(11,900)	560,369
Total	$ 796,524	$ 796,075	$ 1,592,599

(10) Net Position/Fund Balances (Continued)

County's Contingency Reserve Policy - The Board adopted a contingency reserve policy that set the reserve at 5 percent of the General Fund's revenues, net of pass-through. The contingency reserve can be used to support costs on a one-time basis for unanticipated and unforeseen events as stated in the policy or to support ongoing costs as a financing mechanism, when presented with critical program initiatives that have a time requirement that cannot be deferred. As of June 30, 2017, the County has a balance in its contingency reserve in the amount of $109,807 reported as part of the General Fund's unassigned fund balance.

(11) Pension Plans

(a) California Public Employees' Retirement System – Defined Benefit Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the County's CalPERS defined benefit pension plans. The County's primary government participates in six plans with CalPERS as follows:

CalPERS Plan	Type of Plan	Participants
County Miscellaneous Plan	Agent multi-employer plan	County non-safety members [(1)]
County Safety Plan	Agent multi-employer plan	County safety members
Central Fire Miscellaneous Plan	Cost sharing plan	Central Fire non-safety members
Central Fire Safety Plan	Agent multi-employer plan	Central Fire safety members
Housing Authority Miscellaneous Plan	Agent multi-employer plan	Housing Authority members
Health Authority Miscellaneous Plan	Cost sharing plan	Health Authority members

(1) Includes non-Judge employees and retirees of the Superior Court of California. The Superior Court of California is not part of the County's reporting entity as such the amounts disclosed for the County Miscellaneous Plan excludes amounts and allocations to the Superior Court of California. At June 30, 2017, the County's proportionate share of this plan is 96.66%.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are equal to the product of a benefit multiplier, the employee's retirement age and final compensation. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

(11) Pension Plans (Continued)

The CalPERS' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	County Miscellaneous Plan		County Safety Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55, 2.5% @55	2% @ 62	2% @ 50, 3% &@ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55-60	62	50	57
Required employee contribution rates	8.000%	6.500%	9.000%	10.750%
Required employer contribution rates	18.978%	18.978%	36.231%	36.231%

	Central Fire Miscellaneous Plan		Central Fire Safety Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	62	50	57
Required employee contribution rates	8.000%	6.500%	9.000%	11.250%
Required employer contribution rates	28.942%	6.946%	40.156%	40.156%

	Housing Authority Miscellaneous Plan		Health Authority Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	62-67	55	62
Required employee contribution rates	6.996%	6.250%	7.00%	7.00%
Required employer contribution rates	7.808%	7.808%	8.00%	8.00%

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for each agent multi-employer plan:

	County		Central Fire	Housing Authority
	Miscellaneous Plan [1]	Safety Plan	Safety Plan	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	12,401	2,268	423	65
Inactive employees entitled to but not yet receiving benefits	7,036	460	83	100
Active employees	14,728	1,930	228	129
Total	34,165	4,658	734	294

[1] Includes employees and retirees of the Superior Court of California.

(11) Pension Plans (Continued)

Contributions

For the year ended June 30, 2017, the County's actuarial determined contributions were as follows:

County Miscellaneous Plan	$	259,553
County Safety Plan		79,225
Central Fire Miscellaneous Plan		1,721
Central Fire Safety Plan		12,953
Total primary government		353,452
Housing Authority Miscellaneous Plan		821
Health Authority Miscellaneous Plan		5,901
Total County	$	360,174

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Public Employees Retirement Fund (PERF) is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liability (Asset)

The table below shows how the net pension liability (asset) as of June 30, 2017, is distributed.

	Net Pension Asset	Net Pension Liability
Governmental activities	$ -	$ 2,415,326
Business-type activities	-	1,169,107
Total primary government	-	3,584,433
Housing Authority	4,742	-
Health Authority	-	6,857
Total	$ 4,742	$ 3,591,290

As of June 30, 2017, the County's net pension liability (asset) is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
County Miscellaneous Plan	96.66%	$ 2,594,856
County Safety Plan	n/a	818,252
Central Fire Miscellaneous Plan	0.19273%	13,975
Central Fire Safety Plan	n/a	157,350
Total primary government		3,584,433
Housing Authority Miscellaneous Plan	n/a	(4,742)
Health Authority Miscellaneous Plan	0.07925%	6,857
Total County		$ 3,586,548

(11) Pension Plans (Continued)

The County's net pension liability for the Central Fire miscellaneous plan (a cost-sharing plan) is measured as a proportionate share of the plan's net pension liability. The County's net pension liability of each of its plans is measured as of June 30, 2016, and the total pension liability for each of its plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The County's proportions of the net pension liability for the CalPERS plans were actuarially determined as of the valuation date.

The following table shows the proportionate share of the risk pool collective net pension liability over the measurement period.

	Central Fire Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (MD)	$ 42,790	$ 31,083	$ 11,707
Net changes during measurement period	4,421	2,153	2,268
Balance at June 30, 2016 (MD)	$ 47,211	$ 33,236	$ 13,975

The County's net pension liability (asset) for each of its agent multiple employer plan is measured as the total pension liability less the fiduciary net position for each plan. The change in the net pension liability (asset) for each plan is as follows:

	County Miscellaneous Plan			County Safety Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (MD)	$ 8,524,104	$ 6,435,348	$ 2,088,756	$ 2,488,615	$ 1,823,039	$ 665,576
Change in year:						
Service cost	201,494	-	201,494	54,447	-	54,447
Interest on the total pension liability	647,932	-	647,932	188,295	-	188,295
Differences between expected and actual experience	12,742		12,742	6,499	-	6,499
Plan to plan resource movement	-	168	(168)	-	(129)	129
Contributions from the employer	-	232,045	(232,045)	-	68,666	(68,666)
Contributions from employees	-	100,248	(100,248)	-	19,875	(19,875)
Net investment income	-	34,043	(34,043)	-	9,264	(9,264)
Benefit payments, including refunds of employee contributions	(388,854)	(388,854)	-	(121,936)	(121,936)	-
Administrative Expenses	-	(3,934)	3,934	-	(1,111)	1,111
Change in proportionate share	26,538	20,036	6,502	-	-	-
Net changes during measurement period	499,852	(6,248)	506,100	127,305	(25,371)	152,676
Balance at June 30, 2016 (MD)	$ 9,023,956	$ 6,429,100	$ 2,594,856	$ 2,615,920	$ 1,797,668	$ 818,252

(11) Pension Plans (Continued)

	Central Fire Safety Plan			Housing Authority Miscellaneous Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (MD)	$ 498,746	$ 366,120	$ 132,626	$ 49,308	$ 57,286	$ (7,978)
Change in year:						
Service cost	8,681	-	8,681	1,376	-	1,376
Interest on the total pension liability	37,172	-	37,172	3,735	-	3,735
Differences between expected and actual experience	(4,405)	-	(4,405)	(188)	-	(188)
Contributions from the employer	-	12,006	(12,006)	-	773	(773)
Contributions from employees	-	3,102	(3,102)	-	680	(680)
Net investment income	-	1,838	(1,838)	-	269	(269)
Benefit payments, including refunds of	(25,561)	(25,561)	-	(1,959)	(1,959)	-
Administrative expense	-	(222)	222	-	(35)	35
Net changes during measurement period	15,887	(8,837)	24,724	2,964	(272)	3,236
Balance at June 30, 2016 (MD)	$ 514,633	$ 357,283	$ 157,350	$ 52,272	$ 57,014	$ (4,742)

Pension Expense and Pension Related Deferred Outflows and Inflows of Resources

For the year ended June 30, 2017, the County recognized pension expense (income) as follows:

Governmental activities	$ 260,016
Business-type activities	133,947
Total primary government	393,963
Housing Authority	259
Health Authority	(680)
Total	$ 393,542

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

(11) Pension Plans (Continued)

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	County Miscellaneous Plan		County Safety Plan		Central Fire Miscellaneous and Safety		Total Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date……..	$ 259,553	$ -	$ 79,225	$ -	$ 14,674	$ -	$ 353,452	$ -
Changes of assumptions……	-	(75,230)	-	(24,518)	-	(4,224)	-	(103,972)
Differences between expected and actual experiences……..	9,556	(6,369)	14,352	-	1,025	(3,194)	24,933	(9,563)
Net differences between projected and actual earnings on plan investments……..	352,288	-	98,431	-	22,391	-	473,110	-
Changes in employers proportions…..	-	-	-	-	2,732	-	2,732	-
Difference in actual and proportionated contributions……..	-	-	-	-	230	-	230	-
Total	$ 621,397	$ (81,599)	$ 192,008	$ (24,518)	$ 41,052	$ (7,418)	$ 854,457	$ (113,535)

	Housing Authority Miscellaneous Plan		Health Authority Miscellaneous Plan		Total Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date……..	$ 821	$ -	$ 5,901	$ -	$ 6,722	$ -
Changes of assumptions……	-	(574)	-	(372)	-	(946)
Differences between expected and actual experiences……..	-	(481)	30	-	30	(481)
Net differences between projected and actual earnings on plan investments……..	3,179	-	1,939		5,118	-
Changes in employers proportions…..	-	-	265	(68)	265	(68)
Difference in actual and proportionated contributions……..	-	-	11	(45)	11	(45)
Total	$ 4,000	$ (1,055)	$ 8,146	$ (485)	$ 12,146	$ (1,540)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic manner. At June 30, 2017, the primary government and discrete component units reported $353.5 million and $6.7 million, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2018.

(11) Pension Plans (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources: Primary Government	Component Units	Total
2018	$ 23,047	$ 285	$ 23,332
2019	23,964	372	24,336
2020	216,949	1,997	218,946
2021	123,510	1,230	124,740
Total	$ 387,470	$ 3,884	$ 391,354

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2016 is provided below, including any assumptions that differ from those used in the June 30, 2015 actuarial valuation.

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-age normal cost method
Investment rate of return	7.65%, net of pension plan investment expenses, including inflations
Inflation	2.75%
Projected salary increases	Varies by entry age and service
Discount rate	7.65%
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter
Mortality Rate	Derived using CalPERS membership data for all funds *

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the County's total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

(11) Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	4.50	5.09
Liquidity	1.00	(0.55)	(1.05)

[1] An expected inflation of 2.5 percent used for this period.
[2] An expected inflation of 3.0 percent used for this period.

(11) Pension Plans (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in Discount Rate

The following presents the net pension liability (asset) of each of the County's pension plans as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if they were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Net Pension Liability (Asset)		
	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
County Miscellaneous Plan [1]	$ 3,796,560	$ 2,594,856	$ 1,598,611
County Safety Plan	1,176,057	818,252	524,519
Central Fire Miscellaneous Plan [2]	20,331	13,975	8,722
Central Fire Safety Plan	223,985	157,350	103,252
Housing Authority Miscellaneous Plan	2,836	(4,742)	(10,975)
Health Authority Miscellaneous Plan [2]	11,296	6,857	3,189

(1) Excludes non-Judge employees and retirees of the Superior Court of California.
(2) Represents the Central Fire's and Health Authority's proportionate share of the net pension liability of the CalPERS Miscellaneous Plan.

Pension Plan Fiduciary Net Position

Detailed information about each of the pension plans' fiduciary net position is available in the separately issued CalPERS financial reports. Each plan's fiduciary net position disclosed per the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the County's funding actuarial valuation. In addition, differences may result from early financial statement closing and final reconciled reserves.

(b) County of Santa Clara Supplemental Benefit Plan

During the fiscal year 2009, the County established a defined contribution retirement plan (County of Santa Clara Supplemental Benefit Plan (Supplemental Plan)). The County employees hired or accepted written job offers before July 1, 2008 and with compensation in excess of the Internal Revenue Code (IRC) Section 401(a)(17) limitations are eligible to participate in the Supplemental Plan. The Supplemental Plan is a tax-deferred plan that is subject to an annual contribution limit under the IRC and any supplemental benefits in excess of the IRC limit will be paid to the employee as taxable income. The County will contribute and deposit the supplemental benefits into the Supplemental Plan at the end of January, following the close of the plan's calendar year. Employer contributions become fully vested at the time of the County's contribution. The Supplemental Plan, which had 105 participants, had ending fair value of $27,483 at June 30, 2017. During the fiscal year ended June 30, 2017, the County contributed $2,047 to the Supplemental Plan.

(11) Pension Plans (Continued)

(c) FIRST 5 Santa Clara County IRC 401(a) Plan

In November 2001, FIRST 5's Board approved the implementation of an Internal Revenue Code Section 401(a) Retirement Plan (the "Plan") effective January 1, 2002 for all FIRST 5 employees. The Plan is a defined contribution plan administered by the Unified Trust Company. The Plan is open to all employees, excluding employees who work less than 20 hours per week. Currently 46 employees are enrolled in the Plan. The Plan provides retirement benefits based on the employee's salary and years of service.

Effective January 1, 2008, the Plan had three different types of employer contributions which vest 100% after three years of employment service. The Plan requires employer contributions of 7% of employee's compensation. The employer's contributions under this requirement were $229 for the year ended June 30, 2017. The employer also contributes a dollar for dollar match on the elective deferrals noted in the deferred compensation plan to a maximum of 5% of each employee's annual compensation. The employer's contributions were $169 for the year ended June 30, 2017. Additional supplemental contributions may be made by the employer based on a compensation arrangement between employee and the employer. The contribution requirements of Plan members and the FIRST 5 are established by and may be amended by the Unified Trust Company.

(d) Santa Clara County Health Authority Defined Contribution Plan

In addition to the defined benefit pension plan, the Health Authority has a defined contribution plan under Section 401(a) of the Internal Revenue Code. Under the 401(a) Plan, participants must contribute 6% of their gross compensation and the Health Authority must contribute 3% of the participants' gross compensation. The Health Authority contributes greater than 3% of gross compensation for senior staff level employees. In return, senior staff level employees contribute less than 6% of their gross compensation. Contributions by the Health Authority totaled $433 for the year ended June 30, 2017.

(12) Other Postemployment Benefit (OPEB) Plans

(a) County OPEB Plan

Plan Description

The County maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan (OPEB Plan), which covers substantially all (excluding Central Fire, Housing Authority and Health Authority) of its employees and Judges of the Superior Court. Due to the relative insignificance of the other employer in the OPEB Plan, the County presents disclosure information for the OPEB Plan as if it was a single-employer plan. The County's OPEB Plan provides healthcare benefits to eligible County (excluding Central Fire, Housing Authority and Health Authority) employees and their dependents. Central Fire, Housing Authority and Health Authority employees have separate defined benefit postemployment healthcare plans. All County employees hired prior to August 12, 1996, with at least five years of service after attaining age 50 are covered under the County's OPEB Plan upon retirement. For employees hired after August 12, 1996 and on or before June 18, 2006, the eligibility requirements were increased to a minimum of eight years of service after attaining age 50. For employees hired after June 19, 2006 and mostly on or before September 30, 2013, the eligibility requirements were increased to a minimum of ten years of service after attaining age 50, age 52 for Miscellaneous employees hired on or after January 1, 2013. For a majority of the employees hired beginning in August 2013 (mostly on and after September 30, 2013), the eligibility requirements were

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

increased to a minimum of fifteen years of service and attaining age 50 for Safety employees and 52 for Miscellaneous employees. For all of the above, employees must retire from CalPERS directly from the County.

The County, Central Fire, Housing Authority, and Health Authority participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to fund other postemployment benefits through CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office at 400 Q Street, Sacramento, California 95811. A separate report for the County's plans in CERBT is not available.

Funding Policy

From fiscal year 2005 through 2013, due to budgetary constraints, the County did not fund the OPEB at the Annual Required Contribution (ARC) level determined in the annual actuarial valuation. In August 2013, the County adopted an ordinance that incrementally increases the OPEB contributions with the goal of funding 100% of the ARC by fiscal year 2018. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The contribution requirements of plan members are in accordance with the provision in the member's respective representation unit labor contract. The County contributions to OPEB may be amended by the Board.

The ARC rate for the fiscal year 2017 calculated in the June 30, 2016 actuarial valuation is 10.08% of payroll. In fiscal year 2017, the County contributed a total of $175,267 towards OPEB. This amount included $82,589 payments towards retiree benefit costs; $16,000 of implicit subsidy; and $76,678 deposits into the CERBT funded by $60,000 from the County Retiree Medical Trust Fund and one-time contribution from the County and its employees of $10,654 and $6,024, respectively.

Annual required contribution	$ 154,902
Interest on net OPEB obligation	18,912
Adjustment to annual required contribution	(15,866)
Annual OPEB cost	157,948
Contributions made	(175,267)
Change in net OPEB obligation	(17,319)
Net OPEB obligation, beginning of year	270,176
Net OPEB obligation, end of year	$ 252,857

Annual OPEB Cost

The required contributions were determined as part of the June 30, 2016 actuarial valuation. Three year trend information for the County (excluding Central Fire, Housing Authority and Health Authority) is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 157,948	111.0%	$ 252,857
6/30/2016	157,955	87.3%	270,176
6/30/2015	182,377	92.8%	250,088

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of certain events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The significant actuarial methods and assumptions used to compute the actuarially determined OPEB annual required contributions and the funded status are as follows:

Description	Method/Assumption	Method/Assumption
Valuation date	June 30, 2016	June 30, 2017
Actuarial cost method	Entry age normal; Level percent of salary	Entry age normal; Level percent of salary
Amortization method for actuarial accrued liabilities	30 years, open, level percent of payroll	30 years, closed, level percent of payroll
Remaining amortization period	30 years as of June 30, 2016	30 years as of June 30, 2017
Actuarial asset valuation method	Market value	Market value
Investment rate of return	7.00%	7.00%
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Projected payroll increases	Increase of 3.30% to 16.90% depending on age, service and type of employment.	Increase of 3.30% to 16.90% depending on age, service and type of employment.
Healthcare cost trend rate - Medical	6.50% applied to 2016-2017 plan year premiums to calculate 2017-2018 plan year premiums, then 6.25% and graded down by 0.25% per year until 5.00% ultimate rate is reached.	Medicare and Non-Medicare Cost Trend Rate of 6.5% and 7%, respectively, applied to 2017-2018 plan year premiums to calculate 2018-2019 plan year premiums, graded down by 0.25% per year until 4.50% ultimate rate is reached.

Funding Status and Funding Progress

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used for all County's OPEB plans include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

As of June 30, 2017, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$	2,082,782
Actuarial value of plan assets		857,271
Unfunded actuarial accrued liability (UAAL)	$	1,225,511
Funded ratio (actuarial value of plan assets/AAL)		41.2%
Covered payroll (active plan members)	$	1,484,941
UAAL as a percentage of covered payroll		82.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(b) Santa Clara County Central Fire Protection District OPEB Plan

Plan Description

The Central Fire maintains a separate OPEB plan from the County. Under this plan, Central Fire provides for lifetime medical coverage to retirees who meet eligibility requirements. Currently, employees who retire directly from the Central Fire, have accrued seven years of service and were hired between January l, 1995 and December 31, 2006, inclusive, or retire directly from the Central Fire, have accrued 10 years of service and were hired after December 31, 2006 are eligible. The Central Fire also provides lifetime medical insurance to retirees and his/her spouse if the retiree retired on or before January l, 1978. The Central Fire will pay for the spouse's coverage so long as the retiree maintains eligibility. An employee who retires after January 1, 1978 may include his/her dependent on the plan by self-paying the additional cost for that dependent.

Funding Policy and Annual OPEB Cost

As part of the labor agreement adopted on February 3, 2014, plan members contribute 1% of base pay to the CERBT to prefund future retiree welfare benefits payments. The Central Fire's annual required contribution for the year 2016-17 is determined based on the June 30, 2015 actuarial valuation. The following table shows the components of the Central Fire's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Central Fire's net OPEB obligation:

Annual required contribution	$	6,646
Interest on beginning net OPEB obligation		3,020
Amortization of net OPEB obligation		(2,716)
Annual OPEB cost		6,950
Contributions made		(5,953)
Change in net OPEB obligation		997
Net OPEB obligation, beginning of year		43,135
Net OPEB obligation, end of year	$	44,132

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

The following table represents annual OPEB cost for the past three years, the percentage of annual OPEB cost contributed, and net OPEB obligations:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 6,950	86%	$ 44,132
6/30/2016	6,796	79%	43,135
6/30/2015	6,837	78%	41,719

Actuarial Methods and Assumptions

As discussed earlier, projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions and methods used to calculate the annual required contribution for the year ended June 30, 2017 and the most recent funding status as of June 30, 2015 is as follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll over a closed 30 year period beginning 2011/2012
Remaining amortization period	25 years
Investment return	7.00%
Projected salary increases	3.00%
Inflation rate	3.00%
Initial healthcare cost trend rate	Self-funded medical 6.75%, Self-funded drug 5.25%, Kaiser 7.50%
Ultimate healthcare cost trend rate	4.00%

Funding Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 90,960
Actuarial value of plan assets	13,283
Unfunded actuarial accrued liability (UAAL)	$ 77,677
Funded ratio (actuarial value of plan assets/AAL)	14.6%
Annual covered payroll	$ 37,354
UAAL as a percentage of annual covered payroll	207.9%

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Details of the Central Fire's OPEB plan may be found in its financial report for the fiscal year ended June 30, 2017. The report may be obtained by writing to the Santa Clara County Central Fire Protection District at 14700 Winchester Boulevard, Los Gatos, California, 95032.

(c) Housing Authority OPEB Plan

Plan Description

The Housing Authority maintains a separate OPEB plan from the County. The Housing Authority provides eligible employees with post-retirement medical healthcare benefits. Upon retirement, qualified employees and spouses/domestic partners are eligible for continued medical coverage up to the Employer Coverage Cap in effect on the date of the employee's retirement. Medical provider at the time of retirement will be the same medical provider during the final year of employment unless the employee moves from the plan service area. In the event the employee moves out of the plan service area, a supplemental medical plan will be made available at that time. Participation in Part A and Part B of the Medicare plan available at the time of retirement is a requirement of the plan. The surviving spouse or domestic partner may continue to purchase medical coverage after the death of the retiree at the surviving spouse/partner's expense.

Funding Policy

The contribution requirements of plan members and the Housing Authority are established and may be amended by the Board. The Housing Authority contributes the amounts necessary to fund the annual required contribution.

Annual OPEB Cost

For the year ended June 30, 2017, the Housing Authority's annual OPEB cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, and based on the Housing Authority's most recent OPEB actuarial valuation that was performed as of July 1, 2015.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation (asset):

Annual required contribution	$	424
Interest on beginning net OPEB obligation		(89)
Amortization of net OPEB obligation		122
Annual OPEB cost		457
Contributions made		(856)
Change in net OPEB obligation (asset)		(399)
Net OPEB obligation (asset), beginning of year		(1,158)
Net OPEB obligation (asset), end of year	$	(1,557)

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

Three-year trend information for the Housing Authority's OPEB plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
6/30/2017	$ 457	187.1%	$ (1,557)
6/30/2016	465	91.2%	(1,158)
6/30/2015	171	656.3%	(1,199)

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 10,558
Actuarial value of plan assets	8,507
Unfunded actuarial accrued liability (UAAL)	$ 2,051
Funded ratio (actuarial value of plan assets/AAL)	80.6%
Annual covered payroll	$ 9,393
UAAL as a percentage of annual covered payroll	21.8%

Actuarial Methods and Assumptions

A summary of the actuarial assumptions and methods used to calculate the annual required contribution for the year ended June 30, 2017 and the most recent funding status as of July 1, 2015 is as follows:

Description	Method/Assumption
Valuation date	July 1, 2015
Actuarial cost method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	6.73%
Discount rate	6.73%
Salary increase	3.25% per year, used only to allocate the cost of benefits between service years
General inflation rate	2.75% per year
Healthcare cost trend rate	7.50% for 2017, reduced by decrements to an ultimate rate of 4.64% in year 2025 and later

(d) Health Authority OPEB Plan

Plan Description

The Health Authority also maintains a separate OPEB plan. The Health Authority must contribute the minimum required amount of $5 or the ARC, whichever is lower. Retired employees who retire directly from the Health Authority are eligible to receive contributions from Santa Clara Family Health Plan toward their monthly Public Employees' Medical and Hospital Care Act if they meet certain age and service eligibility requirements as outlined in the plan document, and approved by the Board of Directors of the Health Authority. All employees who attain age 50 with a minimum of 5 years of PERS service and employed by the Health Authority at the time of retirement are eligible. Retirees are required to fund 10% of the cost of their monthly premiums.

(12) Other Postemployment Benefit (OPEB) Plans (Continued)

Funding Policy

The Health Authority contributes the amounts necessary to fund the annual required contribution.

Annual OPEB Cost and Actuarial Methods and Assumptions

For the year ended June 30, 2017, the Health Authority's annual OPEB cost equals to its ARC based on the Health Authority's most recent OPEB actuarial valuation that was performed as of June 30, 2016. The actuarial cost method for determining the benefit obligation is the projected unit credit cost method. In the June 30, 2016 actuarial valuation, the assumed health care cost trend rates were 7.50% for 2017, graded to 4.25% for 2088 and beyond, and 3.50% graded to 4.50% for year 2075 and beyond for ages pre-65 and post-65, respectively. The discount rate was 6.50%. The Health Authority's unfunded actuarial accrued liability is being amortized over 30 years.

Three-year trend information for the Health Authority's OPEB plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 1,142	100.0%	$ -
6/30/2016	954	100.0%	-
6/30/2015	1,100	100.0%	-

Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was 57.9% funded. The actuarial accrued liability for benefits was $8,959 and the actuarial value of assets was $5,188, resulting in an unfunded actuarial liability of $3,771.

Details of the Health Authority's OPEB plan may be found in its financial report for the fiscal year ended June 30, 2017. The report may be obtained by writing to the Health Authority at 210 E. Hacienda Avenue, Campbell, CA 95008.

(13) Risk Management

The County is exposed to various risks of loss related to torts; medical malpractice; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; and health benefits to employees and retirees. The County is self-insured for its general liability, workers' compensation, unemployment, dental, retiree benefits, medical malpractice liability, and automobile liability. The County has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with the above risks of loss up to certain limits.

Excess coverage is provided by the California State Association of Counties' Excess Insurance Authority (Insurance Authority), a joint powers authority, whose purpose is to develop and fund programs of excess insurance and provide the joint purchase of coverage from independent third parties for its member entities for the following types of coverage listed below. The Insurance Authority is governed by a Board of Directors consisting of representatives of its member entities.

(13) Risk Management (Continued)

Self-insurance and Insurance Authority limits are as follows:

Type of Coverage	Self-Insurance (per occurrence)	Self-Retained [1]	Purchase Insurance Policies (per occurrence)
Automobile	$2,000 plus $500 corridor[2]	$0	$33,000
General Liability	$2,000 plus $500 corridor[2]	$0	$33,000
Medical Malpractice	$500	$1,500 per occurrence	$20,000 $50,000 annual aggregate $33,000 excess insurance
Workers' Compensation	$4,000	$1,000 per occurrence	Statutory
Property Damage	Up to $50 [3] (This is deductible)	$3,000 per occurrence $10,000 annual aggregate	Up to $1,200,000 [4]
Flood	Up to $100 (This is deductible)		Up to $1,200,000 [5]
Earthquake	2% of insurable value per occurrence $100 minimum deductible per occurrence		Up to $740,000 [6]
Cyber Liability	$100		$250 to $2,000 $20,000 annual aggregate
Aircraft	None		$15,000
Airport	None		$50,000
Crime Bond	$25		$15,000
Pollution	$250		$10,000

(1) The self-retained layer acts as an additional amount to pay claims before a loss is paid by the insurance company. This self-retained layer is contributed to by the member entities and remains their asset. Once the self-retained layer is exhausted, the insurance company pays all claims above the County's self-insurance amount. Any funds left in the self-retained layer can be used to fund self-retained amounts in future years.

(2) Corridor is a finite amount of self-insurance shared by the County's Automobile and General Liability policies.

(3) Deductible for the Fairgrounds is $5 per occurrence. All properties are insured at full replacement value.

(4) Insured values are split between 3 towers with limits of $300,000 per tower shared with all other members in those same 3 towers, plus a rooftop of $300,000 shared with all members in a total of 8 towers for a total of $1,200,000.

(5) Insured values are split between 3 towers with limits of $300,000 per tower shared with all other members in those same 3 towers, plus a rooftop of $300,000 shared with all member in a total of 8 towers for a total of $1,200,000.

(6) Insured values are split between 3 towers with limits of $100,000 per tower shared with all other members in those same 3 towers, plus a rooftop of $440,000 shared with all member in a total of 5 towers for a total of $740,000.

There have been no settlement amounts exceeding commercial or Insurance Authority insurance coverage since self-insurance was introduced in 1978. It is the County's practice to obtain full actuarial studies annually for the self-insured property, general liability, automobile liability, medical malpractice, and workers' compensation liability issues. The unpaid claims liabilities included in the self-insurance internal service funds for these risks are based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

(13) Risk Management (Continued)

The County computes its claims liability based on the expected value discounted at 1.0% for property, general and automobile liability claims, and discounted at 2.0% for medical malpractice and workers' compensation claims. Changes in the balances of claims liabilities during the past two fiscal years ended June 30 for the County's self-insurance internal service funds are as follows:

	2017	2016
Unpaid claims, beginning of year	$ 155,894	$ 147,815
Incurred claims and changes in estimate	69,790	72,598
Claim payments	(58,912)	(64,519)
Unpaid claims, end of year	$ 166,772	$ 155,894

Annual insurance premiums are recovered by charging covered departments using various allocation methods that include actual costs, trends in claims loss experience, and number of covered participants. Premiums paid by the self-insurance internal service funds totaled $17,123 for the fiscal year ended June 30, 2017.

(14) Commitments and Contingencies

(a) Commitments

The County has various non-cancelable operating leases as lessees primarily for office space and equipment (accounted for principally in the General Fund). Approximate future minimum operating lease commitments are as follows:

Fiscal year ending June 30,	Governmental Activities	Business-type Activities	Total
2018	$ 38,420	$ 4,682	$ 43,102
2019	34,163	4,623	38,786
2020	32,611	2,610	35,221
2021	31,358	2,067	33,425
2022	22,322	1,276	23,598
2023-2027	7,686	88	7,774
2028-2032	2,255	-	2,255
2033-2037	1,396	-	1,396
2038-2040	752	-	752
Total	$ 170,963	$ 15,346	$ 186,309

Rent expense for fiscal year 2017 was approximately $41,716 and $9,023 for the governmental activities and business-type activities, respectively.

(14) Commitments and Contingencies (Continued)

The County has entered into operating leases as lessor on various properties with businesses and other governmental agencies (accounted for principally in the General Fund). The future minimum payments to be received are as follows:

Fiscal year ending June 30,	Governmental Activities	Business-type Activities	Total
2018	$ 4,207	$ 447	$ 4,654
2019	4,067	108	4,175
2020	4,121	111	4,232
2021	4,216	-	4,216
2022	4,315	-	4,315
2023-2027	22,569	-	22,569
2028-2032	24,171	-	24,171
2033-2037	23,240	-	23,240
2038-2042	193	-	193
2043-2047	213	-	213
2048-2052	235	-	235
2053-2057	260	-	260
2058-2062	287	-	287
2063-2064	123	-	123
Total	$ 92,217	$ 666	$ 92,883

At June 30, 2017, the leased assets had a net book value of $10,752. Rent income for fiscal year 2017 was approximately $7,971 and $2,533 for the governmental activities and business-type activities, respectively.

The County has entered into various service concession arrangements with governmental and nongovernmental entities (operators) to provide services to the public. Rental incomes received from these service concessions arrangements are included in the above table.

As part of service concession arrangements, the County facilities were conveyed to the operators to provide services related to the primary function of the facility. The operators agreed to operate and maintain the County's facilities and collect the related fees during the term of the agreements. The operators agreed to pay the County a certain percentage of revenues they collected and/or pay installment payments to the County. Some operators also agreed to construct new facilities or improve existing facilities. The County reported the new facilities or the improvements as capital assets at fair value when it is placed in operations.

The County has no contractual obligation related to the facilities or obligations related to the maintenance of a minimum level of the service in connection with the operations of the facilities. In accordance with GASB Statement No. 60, the County recognized the present value of the future installment payments as a receivable, the fair value of newly constructed facilities or improvements as capital assets, and offset the balances with deferred inflows of resources. The capital assets are depreciated using the straight-line method based on the useful lives in accordance with the County's capital asset policy. Revenues are recognized over the term of the arrangements. At June 30, 2017, the governmental activities reported total deferred inflows of resources for the service concession arrangements of $15,852, of which $5,100 is related to the receivables and $10,752 is related to the capital assets.

(14) Commitments and Contingencies (Continued)

(b) Litigation

The County accounts for claims in the internal service funds and the General Fund. As of June 30, 2017, the County had accrued amounts which management believes are adequate to provide for claims and litigation, which arose during the normal course of activities. There are other outstanding claims and litigation for which County management believes the ultimate outcome of these claims and litigation will not significantly impact the County's financial position.

(c) Conduit Debt - Single and Multiple Family Mortgage Revenue Bonds

The County, acting as coordinator with certain cities, issued Tax-Exempt Mortgage Revenue Bonds with periodic maturities through May 2040. At June 30, 2017, the outstanding balance of these bonds was $5,831. Single family mortgage revenue bonds were issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing residences. The purpose of this program is to provide below market interest rate home mortgages to persons who are unable to qualify for conventional mortgages at market rates. Multiple family mortgage revenue bonds were issued to provide financing to developers of specified multiple family housing projects. These developers agreed to rent a percentage of units to qualified families at below market rates. The bonds are not considered obligations of the County and are payable solely from payments made on the related secured mortgage loans.

(d) Conduit Debt - Insured Revenue Bonds

On March 16, 2007, the Financing Authority served as the conduit issuer of the 2007 Insured Revenue Bonds Series A ($50,000), Series B ($50,000), and Series C ($50,000) (collectively, "2007 Insured Revenue Bonds") in order to provide funds for the construction, renovation, and improvement of the El Camino Hospital, a nonprofit public corporation. These bonds were issued to fund a portion of the construction of a new five-level main hospital building and the purchase and installation of equipment (El Camino Hospital Project).

On May 15, 2008, the 2007 Insured Revenue Bonds were mandatory tendered at which time Series A ($49,175), Series B ($49,175), and Series C ($49,175) (collectively, "2007 Remarketed Insured Revenue Bonds") were remarketed as fixed interest rate bonds. The 2007 Remarketed Insured Revenue Bonds bear fixed interest rates ranging from 4.00% to 5.75%, and have a final maturity date of February 1, 2041. At June 30, 2017, the total outstanding balance of these conduit bonds was $121,550.

On March 30, 2009, the Financing Authority served as the conduit issuer of the 2009 Variable Rate Revenue Bonds (2009 Bonds) in the amount of $50,000 in order to provide funds for the El Camino Hospital Project. The 2009 Bonds bear variable interest rate based on Weekly Interest Rate as defined in the bond indenture. The 2009 Bonds have a final maturity date of February 1, 2044. At June 30, 2017, the total outstanding balance for the 2009 Bonds was $50,000.

The Financing Authority and the County have no obligation for these bonds as the bonds are secured under the provisions of the Indenture and will be payable solely from payments made by the El Camino Hospital under the Loan Agreements. These bonds are not payable from any revenues or assets of the County. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds.

(14) Commitments and Contingencies (Continued)

(f) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the County as an extension of formal budgetary accounting in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances still open at year end are not accounted for as expenditures and liabilities but as part of assigned fund balance. At June 30, 2017, encumbrances totaled to $13,904, $19,332, and $47,172 for the General Fund, Nonmajor Special Revenue Funds, and Nonmajor Capital Projects Funds, respectively.

(15) Pollution Remediation

The Almaden Quicksilver County Park (Park) was established in the mid-1970s after the purchase of various properties in the Almaden foothills. From the mid 1800's to 1975, numerous companies that owned these properties extracted mercury from portions of these properties. One of the by-products of the mercury extraction process is a material called calcines. Calcines have been deposited in various areas in the Park and are considered by several regulatory agencies to be a source of mercury contamination in the watershed.

In 1987, the State Department of Toxic Substance Control issued a Remedial Action Order and required the Parks Department to remove calcine piles and re-work calcine and sediments containing mercury to allowable levels for human exposure. This work was completed by 2000. However, later in the year, the United States Department of Interior and California State Department of Fish and Game advised the County and the Santa Clara Valley Water District that it intended to bring forth a Natural Resource Damage Assessment against both parties, as well as other potential responsible parties, for assessing damages for injuries to fish and bird life resulting from mercury contamination in the Guadalupe River watershed. In 2005, these parties executed a Consent Decree that outlined specific obligations, including a calcines removal project at the Park. At this point in time, the County completed one of the projects related to Jacques Gulch and the County is in the permitting stage related to the second project, the Hacienda Deep Gulch cleanup, which is estimated to commence in 2018/2019.

In November 2009, the State Water Resources Control Board approved a Basin Plan Amendment for the Guadalupe River Watershed, which established a total maximum daily load (TMDL) for mercury mine wash and sediment and included an implementation plan to reduce mercury in the waters of the Guadalupe River watershed. In June 2009, the County received a §13267 order from the Regional Water Quality Control Board (RWQCB) to conduct a site investigation by December 2010 and evaluate the erosion potential of mercury mining waste and the potential for seeps to discharge mercury from mining waste to surface waters. In November 2009, the RWQCB issued a second §13267 order requiring that the County develop and participate in a coordinated watershed monitoring plan.

The County concluded the required evaluation for erosion potential of mercury mining waste. As of June 30, 2017, the County estimated that approximately $8,265 will be spent during the next five years and $4,830 will be spent starting in 2018/2019 to repair and remediate damaged areas. Further repair costs may be necessary, but such amounts cannot be estimated nor has funding been identified at this time.

(16) Vehicle Registration Fee

Since August 2012, the County began to receive vehicle registration fees (VRF) from the Santa Clara Valley Transportation Authority. The amounts received have been spent on various digout and microsurfacing projects on Lawrence Expressway (Homestead Road to State Route 237), Capital Expressway (Tully Road to Quimby, US101 to Seven Tress Boulevard), and also on a cold in-place recycling and overlay project on Lawrence Expressway (Kifer Avenue to Central Expressway). The table below summarizes the County's VRF receipts and expenditures:

	Year Ended June 30, 2017	From Inception To June 30, 2017 Cumulative Balance
Proceeds received	$ 1,923	$ 8,959
Total expenditures paid and accrued	(339)	(6,619)
Unused proceeds	1,584	2,340
Prior year unused proceeds	768	-
Total proceeds available	2,352	2,340
Interest earned	6	18
Total available	$ 2,358	$ 2,358

(17) Subsequent Events

2017 Series A General Obligation Bonds

On November 8, 2016, the County voters approved Measure A, the Affordable Housing Bond Measure, which authorized the issuance of general obligation bonds in the amount of $950,000 to address the growing needs for local affordable housing and to reduce and prevent homelessness. On November 9, 2017, the County issued the 2017 Series A General Obligation Bonds in the amount of $250,000. The bonds are federally taxable and bear fixed interest rates ranging from 1.65% to 3.55% which are payable semi-annually commencing February 1, 2018 and have a final maturity of August 1, 2047.

2017 Series C General Obligation Bonds

On November 16, 2017, the County advance refunded a portion of the outstanding principal of the 2009 Series A General Obligation Bonds in the amount of $304,000 with the issuance of the 2017 Series C General Obligation Bonds in the amount of $290,510 to achieve debt service savings. The 2009 Series A Bonds are first callable on August 1,2020. The bonds are tax exempt and bear fixed interest rates ranging from 3% to 5% with a final maturity date of August 1, 2039. The refunding achieved $57,082 in net present value savings.

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Required Supplementary Information

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COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios

During the Measurement Period

(In thousands)

	County Miscellaneous Plan			County Safety Plan		
Fiscal Year	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Measurement period (1)	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Total pension liability						
Service cost	$ 201,494	$ 193,108	$ 194,389	$ 54,447	$ 51,239	$ 51,470
Interest	647,932	611,717	576,809	188,295	179,112	169,583
Changes of assumptions	-	(149,993)	-	-	(44,951)	-
Differences between expected and actual experience	12,742	(12,698)	-	6,499	17,045	-
Benefit payments, including refunds of employee contributions	(388,854)	(360,951)	(334,427)	(121,936)	(114,909)	(110,678)
Change in proportionate share	26,538	45,338	-	-	-	-
Net change in total pension liability	499,852	326,521	436,771	127,305	87,536	110,375
Total pension liability, beginning	8,524,104	8,197,583	7,760,812	2,488,615	2,401,079	2,290,704
Total pension liability, ending	**$ 9,023,956**	**$ 8,524,104**	**$ 8,197,583**	**$ 2,615,920**	**$ 2,488,615**	**$ 2,401,079**
Plan fiduciary net position						
Contributions, employer	$ 232,045	$ 200,542	$ 180,535	$ 68,666	$ 60,423	$ 58,722
Contributions, employee	100,248	93,991	96,868	19,875	19,683	22,482
Net investment income	34,043	142,299	944,377	9,264	40,380	272,598
Plan to plan resource movement	168	(557)	-	(129)	1	-
Benefit payments, including refunds of employee contributions	(388,854)	(360,951)	(334,427)	(121,936)	(114,909)	(110,678)
Administrative expenses	(3,934)	(7,251)	-	(1,111)	(2,048)	-
Change in proportionate share	20,036	35,022	-	-	-	-
Net change in plan fiduciary net position	(6,248)	103,095	887,353	(25,371)	3,530	243,124
Plan fiduciary net position, beginning	6,435,348	6,332,253	5,444,900	1,823,039	1,819,509	1,576,385
Plan fiduciary net position, ending	**$ 6,429,100**	**$ 6,435,348**	**$ 6,332,253**	**$ 1,797,668**	**$ 1,823,039**	**$ 1,819,509**
Plan net pension liability (asset)	**$ 2,594,856**	**$ 2,088,756**	**$ 1,865,330**	**$ 818,252**	**$ 665,576**	**$ 581,570**
Plan fiduciary net position as a percentage of the total pension liability	**71.24%**	**75.50%**	**77.25%**	**68.72%**	**73.26%**	**75.78%**
Covered payroll	**$ 1,276,163**	**$ 1,196,655**	**$ 1,143,056**	**$ 206,183**	**$ 191,470**	**$ 182,993**
Plan net liability (asset) as a percentage of covered payroll	**203.33%**	**174.55%**	**163.19%**	**396.86%**	**347.61%**	**317.81%**

Note to schedule:

(1) Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions - The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent starting measurement period 2015.

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios

During the Measurement Period

(In thousands)

	Central Fire Safety Plan			Housing Authority Miscellaneous Plan		
Fiscal Year	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Measurement period (1)	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Total pension liability						
Service cost	$ 8,681	$ 8,357	$ 8,571	$ 1,376	$ 1,328	$ 1,413
Interest	37,172	36,014	34,357	3,735	3,523	3,357
Changes of assumptions	-	(8,633)	-	-	(933)	-
Differences between expected and actual experience	(4,405)	2,264	-	(188)	(539)	-
Benefit payments, including refunds of employee contributions	(25,561)	(24,442)	(23,106)	(1,959)	(1,857)	(2,065)
Net change in total pension liability	15,887	13,560	19,822	2,964	1,522	2,705
Total pension liability, beginning	498,746	485,186	465,364	49,308	47,786	45,081
Total pension liability, ending	**$ 514,633**	**$ 498,746**	**$ 485,186**	**$ 52,272**	**$ 49,308**	**$ 47,786**
Plan fiduciary net position						
Contributions, employer	$ 12,006	$ 11,070	$ 10,233	$ 773	$ 724	$ 825
Contributions, employee	3,102	2,986	3,886	680	654	670
Net investment income	1,838	8,111	55,532	269	1,238	8,433
Plan to plan resource movement	-	(3)	-	-	-	-
Benefit payments, including refunds of employee contributions	(25,561)	(24,442)	(23,106)	(1,959)	(1,857)	(2,065)
Administrative expenses	(222)	(412)	-	(35)	(64)	-
Net change in plan fiduciary net position	(8,837)	(2,690)	46,545	(272)	695	7,863
Plan fiduciary net position, beginning	366,120	368,810	322,265	57,286	56,591	48,728
Plan fiduciary net position, ending	**$ 357,283**	**$ 366,120**	**$ 368,810**	**$ 57,014**	**$ 57,286**	**$ 56,591**
Plan net pension liability (asset)	**$ 157,350**	**$ 132,626**	**$ 116,376**	**$ (4,742)**	**$ (7,978)**	**$ (8,805)**
Plan fiduciary net position as a percentage of the total pension liability	**69.42%**	**73.41%**	**76.01%**	**109.07%**	**116.18%**	**118.43%**
Covered payroll	**$ 33,375**	**$ 31,992**	**$ 31,131**	**$ 10,911**	**$ 9,296**	**$ 9,370**
Plan net liability (asset) as a percentage of covered payroll	**471.46%**	**414.56%**	**373.83%**	**-43.46%**	**-85.82%**	**-93.97%**

Note to schedule:

(1) Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions - The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent starting measurement period 2015.

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Schedule of the Cost Sharing Plans' Proportionate Share of Net Pension Liability

During the Measurement Period

(In thousands)

	Central Fire Miscellaneous Plan			Health Authority Miscellaneous Plan		
Measurement period (2)	2016	2015	2014	2016	2015	2014
Plan's proportion of the net pension liability (NPL)	0.19273%	0.17055%	0.16073%	0.07925%	0.07311%	0.07849%
Plan's proportion share of the NPL	$ 13,975	$ 11,707	$ 10,002	$ 6,857	$ 5,018	$ 4,884
Plan's covered payroll	$ 6,608	$ 5,625	$ 5,636	$ 11,011	$ 7,427	$ 8,850
Plan's proportionate share of the NPL as a percentage of its covered payroll	211.49%	208.11%	177.45%	62.27%	67.56%	55.19%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	83.03%	74.06%	78.40%	83.03%

Note to schedule:

(1) Net of administrative expenses.

(2) Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions - The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent starting measurement period 2015.

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Schedule of Pension Plans Contributions

June 30, 2017

(In thousands)

	County Miscellaneous Plan			
Fiscal Year Ended	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 259,553	$ 232,045	$ 200,542	$ 180,535
Contributions in relation to the ADC	(259,553)	(232,045)	(200,542)	(180,535)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,369,733	$ 1,276,163	$ 1,196,655	$ 1,143,056
Contributions as a percentage of covered payroll	18.95%	18.18%	16.76%	15.79%

	County Safety Plan			
Fiscal Year Ended	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 79,225	$ 68,666	$ 60,423	$ 58,722
Contributions in relation to the ADC	(79,225)	(68,666)	(60,423)	(58,722)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**
Covered payroll	$ 218,639	$ 206,183	$ 191,470	$ 182,993
Contributions as a percentage of covered payroll	36.24%	33.30%	31.56%	32.09%

	Central Fire Safety Plan			
Fiscal Year Ended	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 12,953	$ 12,006	$ 11,070	$ 10,233
Contributions in relation to the ADC	(12,953)	(12,006)	(11,070)	(10,233)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**
Covered payroll	$ 33,459	$ 33,375	$ 31,992	$ 31,131
Contributions as a percentage of covered payroll	38.71%	35.97%	34.60%	32.87%

(Continued)

See accompanying notes to the schedule of the pension plans contributions.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Schedule of Pension Plans Contributions

June 30, 2017

(In thousands)

	Central Fire Miscellaneous Plan			
Fiscal Year Ended	**2017**	**2016**	**2015**	**2014**
Contractually required contribution (actuarially determined)	$ 1,721	$ 1,551	$ 1,363	$ 1,275
Contributions in relation to the contractually required contribution	(1,721)	(1,551)	(1,363)	(1,275)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 7,205	$ 6,608	$ 5,625	$ 5,636
Contributions as a percentage of covered payroll	23.89%	23.47%	24.23%	22.62%

	Housing Authority Miscellaneous Plan			
Fiscal Year Ended	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 821	$ 773	$ 724	$ 825
Contributions in relation to the ADC	(821)	(773)	(724)	(825)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 10,658	$ 10,911	$ 9,296	$ 9,370
Contributions as a percentage of covered payroll	7.70%	7.08%	7.79%	8.80%

	Health Authority Miscellaneous Plan			
Fiscal Year Ended	**2017**	**2016**	**2015**	**2014**
Contractually required contribution (actuarially determined)	$ 1,322	$ 911	$ 961	$ 886
Contributions in relation to the contractually required contribution	(5,901)	(911)	(961)	(886)
Contribution deficiency (excess)	$ (4,579)	$ -	$ -	$ -
Covered payroll	$ 11,011	$ 11,011	$ 7,427	$ 8,850
Contributions as a percentage of covered payroll	53.59%	8.27%	12.94%	10.01%

See accompanying notes to the schedule of the pension plans contributions.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Notes to the Schedule of Pension Plans Contributions

June 30, 2017

(In thousands)

The actuarial methods and assumptions used to set the actuarially determined contributions for all of the County's pension plans were as follows:

Actuarially determined contribution for fiscal year	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial valuation date	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Actuarial value of assets	Actuarial value of assets	Actuarial value of assets
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service
Payroll growth	3.00%	3.00%	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation	7.50%, net of pension plan investment and administrative expenses, includes inflation	7.50%, net of pension plan investment and administrative expenses, includes inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
Schedules of Funding Progress – Other Postemployment Benefits
June 30, 2017
(In thousands)

County Other Postemployment Benefits:

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2017	$ 857,271	$ 2,082,782	$ 1,225,511	41.2%	$ 1,484,941	82.5%
6/30/2016	705,175	2,172,715	1,467,540	32.5%	1,425,110	103.0%
6/30/2015	620,275	2,150,410	1,530,135	28.8%	1,434,228	106.7%

Santa Clara County Central Fire Protection District Other Postemployment Benefits:

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2015	$ 13,283	$ 90,960	$ 77,677	14.6%	$ 37,354	207.9%
6/30/2013	7,296	84,335	77,039	8.7%	37,233	206.9%
6/30/2011	-	76,556	76,556	0.0%	36,847	207.8%

Housing Authority of the County of Santa Clara Other Postemployment Benefits:

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2015	$ 8,507	$ 10,558	$ 2,051	80.6%	$ 9,393	21.8%
7/1/2013	6,921	7,634	713	90.7%	8,970	7.9%
7/1/2011	6,976	7,189	213	97.0%	11,845	1.8%

Santa Clara County Health Authority Other Postemployment Benefits:

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2016	$ 5,188	$ 8,959	$ 3,771	57.9%	$ 13,266	28.4%
6/30/2015	4,692	8,999	4,307	52.1%	10,308	41.8%
6/30/2014	4,055	9,343	5,288	43.4%	9,586	55.2%

General Fund

The General Fund is the general operating fund of the County. It accounts for all financial activities except those required to be accounted for in another fund. The accompanying Budgetary Comparison Schedule represents the primary expense classification of services provided by the County through the General Fund.

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	$ 712,099	$ 712,099	$ 712,099	$ -
Resources (inflows):				
Taxes	995,150	995,150	1,062,257	67,107
Licenses and permits	17,617	17,979	16,171	(1,808)
Fines, forfeitures, and penalties	38,132	43,489	53,337	9,848
Interest and investment income	15,169	15,284	18,637	3,353
Intergovernmental revenues	1,251,237	1,517,223	1,574,137	56,914
Charges for services	116,307	124,255	123,734	(521)
Other revenue	25,997	26,769	31,947	5,178
Other financing sources	5,000	5,000	5,010	10
Interfund transfers	361,090	421,369	59,659	(361,710)
Total resources (inflows) available for appropriation	2,825,699	3,166,518	2,944,889	(221,629)
Charges to appropriations (outflows):				
General government:				
Supervisorial District 1				
Salaries and benefits	1,374	1,430	1,258	172
Services and supplies	165	152	44	108
Total Supervisorial District 1	1,539	1,582	1,302	280
Supervisorial District 2				
Salaries and benefits	1,380	1,453	1,447	6
Services and supplies	159	130	67	63
Total Supervisorial District 2	1,539	1,583	1,514	69
Supervisorial District 3				
Salaries and benefits	1,374	1,381	1,347	34
Services and supplies	177	212	118	94
Capital outlay	-	27	26	1
Total Supervisorial District 3	1,551	1,620	1,491	129
Supervisorial District 4				
Salaries and benefits	1,374	1,430	1,313	117
Services and supplies	165	164	105	59
Total Supervisorial District 4	1,539	1,594	1,418	176
Supervisorial District 5				
Salaries and benefits	1,380	1,455	1,445	10
Services and supplies	184	222	125	97
Total Supervisorial District 5	1,564	1,677	1,570	107
Clerk - Board of Supervisors				
Salaries and benefits	4,413	4,464	4,461	3
Services and supplies	4,426	5,192	3,812	1,380
Expenditure reimbursements	(112)	(112)	(60)	(52)
Total Clerk - Board of Supervisors	8,727	9,544	8,213	1,331

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
General government (continued):				
Office of the County Executive				
Salaries and benefits	$ 22,338	$ 21,954	$ 21,289	$ 665
Services and supplies	18,627	32,364	20,879	11,485
Capital outlay	-	38	5	33
Expenditure reimbursements	(733)	(1,401)	(1,052)	(349)
Total Office of the County Executive	40,232	52,955	41,121	11,834
Controller-Treasurer				
Salaries and benefits	17,593	17,794	16,677	1,117
Services and supplies	17,951	23,164	13,974	9,190
Capital outlay	-	12,447	12,447	-
Expenditure reimbursements	(63,403)	(63,403)	(63,398)	(5)
Interfund transfers	-	22,858	287	22,571
Total Controller-Treasurer	(27,859)	12,860	(20,013)	32,873
Tax Collector				
Salaries and benefits	7,268	7,410	7,190	220
Services and supplies	4,819	5,744	7,965	(2,221)
Total Tax Collector	12,087	13,154	15,155	(2,001)
Office of the Assessor				
Salaries and benefits	38,534	38,646	34,675	3,971
Services and supplies	5,319	6,705	4,348	2,357
Capital outlay	-	223	223	-
Total Office of the Assessor	43,853	45,574	39,246	6,328
Purchasing				
Salaries and benefits	11,012	10,897	8,389	2,508
Services and supplies	7,882	8,080	1,667	6,413
Expenditure reimbursements	(646)	(646)	(625)	(21)
Total Purchasing	18,248	18,331	9,431	8,900
Office of Budget and Analysis - Special Programs				
Services and supplies	4,516	3,767	2,144	1,623
Interfund transfers	152,306	142,761	104,645	38,116
Total Office of Budget and Analysis - Special Programs	156,822	146,528	106,789	39,739
Office of the County Counsel				
Salaries and benefits	32,562	32,315	31,613	702
Services and supplies	9,891	10,795	10,265	530
Capital outlay	11	22	14	8
Expenditure reimbursements	(22,868)	(22,868)	(23,485)	617
Total Office of the County Counsel	19,596	20,264	18,407	1,857

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
General government (continued):				
Personnel				
Salaries and benefits	$ 24,286	$ 24,394	$ 24,121	$ 273
Services and supplies	7,457	7,798	7,473	325
Expenditure reimbursements	(10,776)	(10,776)	(11,470)	694
Total Personnel	20,967	21,416	20,124	1,292
Registrar of Voters				
Salaries and benefits	10,876	13,509	13,139	370
Services and supplies	9,797	10,807	10,380	427
Capital outlay	2,700	2,724	24	2,700
Total Registrar of Voters	23,373	27,040	23,543	3,497
Information Services				
Salaries and benefits	1,338	1,776	965	811
Services and supplies	88,687	80,103	24,057	56,046
Capital outlay	1,289	5,640	3,927	1,713
Expenditure reimbursements	(1,698)	(1,698)	(1,415)	(283)
Interfund transfers	-	580	580	-
Total Information Services	89,616	86,401	28,114	58,287
Department of Revenue				
Salaries and benefits	9,924	10,066	9,506	560
Services and supplies	2,147	2,128	1,634	494
Capital outlay	-	16	15	1
Total Department of Revenue	12,071	12,210	11,155	1,055
Communication				
Salaries and benefits	19,099	18,469	17,481	988
Services and supplies	7,948	10,570	8,792	1,778
Expenditure reimbursements	(6,321)	(6,513)	(5,633)	(880)
Total Communication	20,726	22,526	20,640	1,886
Department of Planning & Development				
Salaries and benefits	14,317	14,434	12,835	1,599
Services and supplies	4,663	4,343	3,219	1,124
Capital outlay	111	464	464	-
Expenditure reimbursements	(112)	(112)	(98)	(14)
Interfund transfers	1,155	1,201	45	1,156
Total Department of Planning & Development	20,134	20,330	16,465	3,865

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
General government (continued):				
Facilities and Fleet Department				
Salaries and benefits	$ 33,752	$ 34,407	$ 32,331	$ 2,076
Services and supplies	79,019	90,211	84,539	5,672
Capital outlay	223	2,093	1,484	609
Expenditure reimbursements	(54,731)	(55,695)	(52,237)	(3,458)
Interfund transfers	133,672	165,061	164,036	1,025
Total Facilities and Fleet Department	191,935	236,077	230,153	5,924
General government - subtotals:				
Salaries and benefits	254,194	257,684	241,482	16,202
Services and supplies	273,999	302,651	205,607	97,044
Capital outlay	4,334	23,694	18,629	5,065
Expenditure reimbursements	(161,400)	(163,224)	(159,473)	(3,751)
Interfund transfers	287,133	332,461	269,593	62,868
Total general government	658,260	753,266	575,838	177,428
Public protection:				
Clerk Recorder				
Salaries and benefits	6,694	6,724	6,449	275
Services and supplies	1,204	1,253	1,134	119
Total Clerk Recorder	7,898	7,977	7,583	394
District Attorney				
Salaries and benefits	112,020	113,433	111,017	2,416
Services and supplies	20,971	27,321	24,063	3,258
Capital outlay	681	1,153	996	157
Expenditure reimbursements	(9,611)	(13,877)	(12,697)	(1,180)
Total District Attorney	124,061	128,030	123,379	4,651
Public Defender				
Salaries and benefits	55,396	55,295	55,228	67
Services and supplies	7,418	8,391	8,038	353
Capital outlay	5	24	24	-
Expenditure reimbursements	(257)	(257)	(257)	-
Total Public Defender	62,562	63,453	63,033	420
Pretrial Services				
Salaries and benefits	5,865	5,798	5,308	490
Services and supplies	1,011	1,198	1,095	103
Capital outlay	-	26	26	-
Expenditure reimbursements	(277)	(277)	(110)	(167)
Total Pretrial Services	6,599	6,745	6,319	426
Criminal Justice Support				
Services and supplies	48,411	47,622	45,093	2,529
Total Criminal Justice Support	48,411	47,622	45,093	2,529

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public protection (continued):				
Sheriff Administration				
Salaries and benefits	$ 139,680	$ 145,776	$ 143,278	$ 2,498
Services and supplies	24,009	25,977	24,384	1,593
Capital outlay	1,391	2,369	2,307	62
Expenditure reimbursements	(5,656)	(6,652)	(7,779)	1,127
Total Sheriff Administration	159,424	167,470	162,190	5,280
Sheriff - Department of Correction Services				
Salaries and benefits	144,480	157,335	155,278	2,057
Department of Correction				
Salaries and benefits	38,568	39,847	39,321	526
Services and supplies	60,955	70,833	69,892	941
Capital outlay	-	623	384	239
Expenditure reimbursements	(184)	(184)	(192)	8
Total Department of Correction	99,339	111,119	109,405	1,714
Probation Department				
Salaries and benefits	147,979	150,676	147,385	3,291
Services and supplies	27,030	31,448	23,229	8,219
Capital outlay	-	19	18	1
Expenditure reimbursements	(403)	(403)	(273)	(130)
Total Probation Department	174,606	181,740	170,359	11,381
Department of Agriculture/Weights & Measures/ Animal Control				
Salaries and benefits	11,921	12,151	11,798	353
Services and supplies	4,259	5,311	3,429	1,882
Interfund transfers	212	212	132	80
Expenditure reimbursements	(4,039)	(4,039)	(4,082)	43
Total Department of Agriculture/ Weights & Measures/Animal Control	12,353	13,635	11,277	2,358
Medical Examiner - Coroner				
Salaries and benefits	3,729	4,091	4,003	88
Services and supplies	1,048	949	941	8
Capital outlay	-	45	42	3
Total Medical Examiner - Coroner	4,777	5,085	4,986	99
Public protection - subtotals:				
Salaries and benefits	666,332	691,126	679,065	12,061
Services and supplies	196,316	220,303	201,298	19,005
Capital outlay	2,077	4,259	3,797	462
Interfund transfers	212	212	132	80
Expenditure reimbursements	(20,427)	(25,689)	(25,390)	(299)
Total public protection	844,510	890,211	858,902	31,309

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public ways and facilities:				
Measure B				
Services and supplies	$ 31	$ 3,300	$ 2,550	$ 750
Interfund transfers	315	315	-	315
Total Measure B	346	3,615	2,550	1,065
Health and sanitation:				
Health Services Administration				
Salaries and benefits	67,537	68,777	66,470	2,307
Services and supplies	40,505	41,942	38,057	3,885
Capital outlay	10	22	-	22
Interfund transfers	-	10	-	10
Expenditure reimbursements	(2,715)	(2,991)	(2,537)	(454)
Total Health Services Administration	105,337	107,760	101,990	5,770
Custody Health Services				
Salaries and benefits	47,692	50,817	50,757	60
Services and supplies	34,888	35,892	33,140	2,752
Capital outlay	-	749	469	280
Expenditure reimbursements	(77,211)	(81,374)	(78,426)	(2,948)
Total Custody Health Services	5,369	6,084	5,940	144
Behavioral Health Services				
Salaries and benefits	88,490	90,725	84,270	6,455
Services and supplies	411,300	408,063	353,769	54,294
Capital outlay	54	54	50	4
Expenditure reimbursements	(11,793)	(13,468)	(9,437)	(4,031)
Total Community Outreach Program	488,051	485,374	428,652	56,722
Community Outreach Program				
Salaries and benefits	12,834	13,275	13,187	88
Services and supplies	7,594	7,571	7,202	369
Capital outlay	-	15	12	3
Expenditure reimbursements	(1,209)	(1,209)	(1,255)	46
Total Community Outreach Program	19,219	19,652	19,146	506

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Health and sanitation (continued):				
Healthy Children				
Services and supplies	$ 3,000	$ 3,000	$ 2,902	$ 98
Health and sanitation - subtotals:				
Salaries and benefits	216,553	223,594	214,684	8,910
Services and supplies	497,287	496,468	435,070	61,398
Capital outlay	64	840	531	309
Interfund transfers	-	10	-	10
Expenditure reimbursements	(92,928)	(99,042)	(91,655)	(7,387)
Total health and sanitation	620,976	621,870	558,630	63,240
Public assistance:				
In-House Support Services				
Services and supplies	167,575	167,575	166,496	1,079
Office of Affordable Housing				
Salaries and benefits	3,266	3,274	2,632	642
Services and supplies	51,365	63,299	34,534	28,765
Expenditure reimbursements	(2,310)	(3,556)	(2,357)	(1,199)
Total Office of Affordable Housing	52,321	63,017	34,809	28,208
Social Services Administration				
Salaries and benefits	363,729	369,615	356,965	12,650
Services and supplies	147,321	151,934	137,027	14,907
Capital outlay	-	246	226	20
Expenditure reimbursements	(753)	(517)	(394)	(123)
Total Social Services Administration	510,297	521,278	493,824	27,454
Nutrition Services to the Aged				
Salaries and benefits	1,274	1,469	1,345	124
Services and supplies	8,855	8,884	8,179	705
Total Nutrition Services to the Aged	10,129	10,353	9,524	829
Categorical Aids Payments				
Services and supplies	197,969	188,922	146,025	42,897
Public assistance - subtotals:				
Salaries and benefits	368,269	374,358	360,942	13,416
Services and supplies	573,085	580,614	492,261	88,353
Capital outlay	-	246	226	20
Expenditure reimbursements	(3,063)	(4,073)	(2,751)	(1,322)
Total public assistance	938,291	951,145	850,678	100,467

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Debt service:				
County debt service				
Principal retirement	$ 11,387	$ 11,404	$ 17,839	$ (6,435)
Interest and fiscal charges	9,931	9,931	9,931	-
Interfund transfers	37	37	-	37
Total debt service	21,355	21,372	27,770	(6,398)
Reserves:				
OMB Special Programs				
General government	57,652	67,395	-	67,395
Personnel				
General government	111	111	-	111
Facilities and Fleet				
General government	14,266	29	-	29
Criminal Justice Support				
Public protection	9,242	9,242	-	9,242
Sheriff Administration				
Public protection	467	467	-	467
Health Services Administration				
Health and sanitation	481	481	-	481
Social Services Administration				
Public assistance	10,711	11,271	-	11,271
Nutrition Services to the Aged				
Public assistance	-	58	-	58
Appropriation Contingencies				
Total Appropriation Contingencies	132,095	109,807	-	109,807
Total reserves	225,025	198,861	-	198,861
Total charges to appropriations	3,308,763	3,440,340	2,874,368	565,972
Budgetary fund balances, end of year	$ 229,035	$ 438,277	$ 782,620	$ 344,343

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2017
(In thousands)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	$ 2,944,889
Differences - budget to GAAP:	
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(5,010)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(59,659)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - general fund	$ 2,880,220
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 2,874,368
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services are incurred or goods received for financial reporting purposes	(13,904)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(269,726)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - general fund	$ 2,590,738

The notes to the required supplementary information are an integral part of this statement.

Budgets and Budgetary Accounting

The County is a charter county and, under the general laws of the State, adopts final annual operating budgets before September 1 for all governmental funds. From the effective date of the budgets, which are adopted by the Board after public hearings, the proposed expenditures become appropriations to the various County departments. Only the Board has the authority to approve new appropriations. The County Executive has a limited authority to approve appropriation transfers of $100 between the objects within a budget unit. The Board must approve transfers among budget units and may amend the budget during the fiscal year. Unencumbered and unexpended appropriations lapse at fiscal year-end. During the year, the Board approved various supplemental appropriations.

The County also adopts budgets annually for capital projects funds. Such budgets are based on a project time frame, rather than a fiscal year, and unused appropriations are re-appropriated from year to year until project completion.

Budgeted revenues and expenditures in the budgetary comparison schedule represent the original budget and the final budget modified by authorized adjustments during the year. Final budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year that were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. Expenditures may not legally exceed budgeted appropriations at the budget unit level within each department. Interdepartmental expenditure reimbursements do not have the budgetary status of legal appropriations. Therefore, variances between estimated and actual reimbursements are not disclosed in the notes to the basic financial statements but are displayed in the supplemental section of the Comprehensive Annual Financial Report.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General Fund, special revenue funds, and capital projects funds.

Budgetary Results of Operations Reconciled to Results of Operations in Accordance with GAAP

The County's budget is based upon accounting for certain transactions on a budget basis rather than accounting principles generally accepted in the United States of America (GAAP) basis. The results of operations on a budget basis for the general, special revenue, debt service, and capital projects funds differ from operations on a GAAP basis due to the proceeds from sales of capital assets, interfund transfers, and the inclusion of year-end encumbrances with expenditures on a budget basis. Accordingly, the results of operations presented in the accompanying budgetary comparison schedule reflect adjustments for proceeds from sales of capital assets, interfund transfers, other financing sources and encumbrances in order to provide a meaningful comparison with the adopted County budget.

Federal Compliance Section

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Supervisors
County of Santa Clara
San José, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Clara, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 19, 2017, except for our report on the schedule of expenditures of federal awards, as to which the date is March 29, 2018.

Our report includes a reference to other auditors who audited the financial statements of the FIRST 5 Santa Clara County; Santa Clara County Health Authority; the County Sanitation District 2 – 3 of Santa Clara County; the Santa Clara County Vector Control District; and the Santa Clara County Central Fire Protection District, the South Santa Clara County Fire District, and the Los Altos Hills County Fire District (collectively, "Fire Districts"), as described in our report on the County's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Santa Clara County Tobacco Securitization Corporation, the South Santa Clara County Fire District, the Santa Clara County Central Fire Protection District and the Santa Clara County Health Authority were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we considered to be a significant deficiency

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 19, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Supervisors
County of Santa Clara
San José, California

Report on Compliance for Each Major Federal Program

We have audited the County of Santa Clara's, California (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Housing Authority of the County of Santa Clara (Housing Authority), which expended $316,279,279 in federal awards, which is not included in the schedule of expenditures of federal awards, during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Housing Authority because we were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and report on the results separately to the Housing Authority.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003 and 2017-004 that we considered to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 29, 2018

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COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Entity/Grant Name	Federal CFDA No.	Pass-Through Entity Number	Expenditures	Amount Passed to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Social Services				
State Administrative Matching Grants for Supplemental Nutrition Assistance Prog-Admin	10.561	None	$ 34,228,098	$ -
State Administrative Matching Grants for Supplemental Nutrition Assistance Prog-CalWIN	10.561	None	1,477,403	-
Subtotal Passed Through State Department of Social Services			35,705,501	-
Passed Through California Department of Public Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10075	4,366,792	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20507	1,506,221	29,263
Subtotal Passed Through California Department of Public Health			5,873,013	29,263
Passed Through California Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	43-10439-6066435-01	81,284	-
National School Lunch Program	10.555	43-10439-6066435-01	125,450	-
Subtotal of Child Nutrition Cluster			206,734	-
Total U.S. Department of Agriculture			**41,785,248**	**29,263**
U.S. Department of Housing and Urban Development				
Direct Programs				
Community Development Block Grants-Revolving Loan Fund - Rehab	14.218	--	1,554,686	1,145,023
Home Investment Partnerships Program	14.239	M11-UC060218	524,333	524,333
Home Investment Partnerships Program	14.239	M14-UC060218	34,900	34,900
Home Investment Partnerships Program	14.239	M15-UC060218	55,851	55,851
Home Investment Partnerships Program	14.239	M16-UC060218	836,824	760,399
Subtotal Home Investment Partnerships Program			1,451,908	1,375,483
Continuum of Care	14.267	CA0003L9T001607	317,024	260,741
Continuum of Care	14.267	CA0003L9T001506	127,321	101,478
Continuum of Care	14.267	CA0018L9T001508	256,442	241,193
Continuum of Care	14.267	CA0018L9T001609	123,679	109,069
Continuum of Care	14.267	CA0825L9T001503	32,028	31,907
Continuum of Care	14.267	CA0825L9T001604	46,188	44,424
Continuum of Care	14.267	CA0001L9T001606	279,966	218,935
Continuum of Care	14.267	CA0001L9T001505	55,895	51,757
Continuum of Care	14.267	CA0006L9T001507	230,612	197,251
Continuum of Care	14.267	CA1293L9T001501	233,155	231,815
Continuum of Care	14.267	CA1059L9T001402	8,960	8,840
Continuum of Care	14.267	CA1059L9T001503	119,918	118,105
Continuum of Care	14.267	CA0887L9T001405	32,729	32,544
Continuum of Care	14.267	CA0027L9T001407	255	-
Continuum of Care	14.267	CA0027L9T001508	167,760	144,663
Continuum of Care	14.267	CA0014L9T001407	15,371	10,311
Continuum of Care	14.267	CA0014L9T001508	257,122	251,652
Continuum of Care	14.267	CA0015L9T001205	10,311	10,053
Continuum of Care	14.267	CA0015L9T001508	233,353	192,791
Continuum of Care	14.267	CA1204L9T001502	57,478	57,061
Continuum of Care	14.267	CA1385L9T001500	20,290	19,641
Continuum of Care	14.267	CA0951L9T001504	114,977	-
Continuum of Care	14.267	CA0951L9T001605	434,383	-
Continuum of Care	14.267	CA1294L9T001400	181,625	-
Subtotal Continuum of Care			3,356,842	2,334,231
Total U.S. Department of Housing and Urban Development			**6,363,436**	**4,854,737**
U.S. Department of Justice				
Direct Programs				
State Criminal Alien Assistance Program	16.606	--	818,038	-
Community Oriented Policing Services	16.710	--	207,689	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	195,000	-
DNA Backlog Reduction Program	16.741	2014-DN-BX-0033	141,085	-
DNA Backlog Reduction Program	16.741	2015-DN-BX-0001	246,202	-
DNA Backlog Reduction Program	16.741	2016-DN-BX-0126	210,825	-
Subtotal DNA Backlog Reduction Program			598,112	-
Subtotal Direct Programs			1,818,839	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Entity/Grant Name	Federal CFDA No.	Pass-Through Entity Number	Expenditures	Amount Passed to Subrecipients
U.S. Department of Justice (Continued)				
Passed Through City of San José				
Missing Children's Assistance	16.543	None	$ 12,089	$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0642	26,251	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0066	36,027	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			62,278	-
Subtotal Passed Through City of San José			74,367	-
Passed Through City of Sunnyvale				
Equitable Sharing Program	16.922	CA0431600	37,580	-
Passed Through California Governor's Office of Emergency Services				
Crime Victim Assistance	16.575	UV15010430	156,138	-
Crime Victim Assistance	16.575	UV16020430	50,899	-
Crime Victim Assistance	16.575	VW16350430	904,248	-
Crime Victim Assistance	16.575	XC16010430	283,198	244,547
Crime Victim Assistance	16.575	XV15010430	92,885	-
Subtotal Crime Victim Assistance			1,487,368	244,547
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ15 11 0430	32,909	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ16 12 0430	36,941	-
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program			69,850	-
Subtotal Passed Through California Governor's Office of Emergency Services			1,557,218	244,547
Total U.S. Department of Justice			**3,488,004**	**244,547**
U.S. Department of Transportation				
Direct Program				
Highway Planning and Construction	20.205	--	383,124	40,000
Passed Through California Department of Public Health				
Highway Planning and Construction	20.205	SR2SL5937	322,579	-
Passed Through California Department of Transportation				
Highway Planning and Construction	20.205	CML 5937 (191)	292,415	-
Highway Planning and Construction	20.205	CML 5937 (197)	1,189,128	-
Highway Planning and Construction	20.205	HSIP 5937 (199)	29,630	-
Highway Planning and Construction	20.205	BRLO 5937 (182)	73,026	-
Highway Planning and Construction	20.205	BRLO 5937 (107)	1,199,645	-
Highway Planning and Construction	20.205	BRLO-5937 (109)	1,652,383	-
Highway Planning and Construction	20.205	BRLS 5937 (124)	95,780	-
Highway Planning and Construction	20.205	BRLO 5937 (106)	30,542	-
Highway Planning and Construction	20.205	BRLS 5937 (123)	141,929	-
Highway Planning and Construction	20.205	STPLZ 5937 (058)	98,877	-
Highway Planning and Construction	20.205	BHLO 5937 (174)	199,928	-
Highway Planning and Construction	20.205	BRLO 5937 (176)	41,670	-
Highway Planning and Construction	20.205	BRLO 5937 (180)	13,331	-
Highway Planning and Construction	20.205	BRLO 5937 (205)	22,481	-
Highway Planning and Construction	20.205	BRLO 5937 (206)	21,513	-
Highway Planning and Construction	20.205	BRLO 5937 (207)	25,237	-
Highway Planning and Construction	20.205	HRRRL 5937 (190)	6,800	-
Highway Planning and Construction	20.205	HRRRL 5937 (188)	20,218	-
Highway Planning and Construction	20.205	CML 5937 (196)	130,322	-
Highway Planning and Construction	20.205	BPMP 5937 (155)	141,310	-
Highway Planning and Construction	20.205	BPMP 5937 (156)	48,503	-
Highway Planning and Construction	20.205	BPMP 5937 (158)	41,825	-
Highway Planning and Construction	20.205	BPMP 5937 (159)	28,668	-
Highway Planning and Construction	20.205	BPMP 5937 (160)	270,186	-
Highway Planning and Construction	20.205	BPMP 5937 (161)	49,624	-
Highway Planning and Construction	20.205	BHLO 5937 (195)	4,613	-
Highway Planning and Construction	20.205	BHLO 5937 (194)	3,484	-
Highway Planning and Construction	20.205	BHLO 5937 (193)	5,545	-
Subtotal Passed Through California Department of Transportation			5,878,613	-
Passed Through California Office of Traffic Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1630	91,763	-
Total U.S. Department of Transportation			**6,676,079**	**40,000**

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Entity/Grant Name	Federal CFDA No.	Pass-Through Entity Number	Expenditures	Amount Passed to Subrecipients
U.S. Department of Treasury				
Passed Through City of Sunnyvale				
Treasury Forfeiture Fund Program	21.000	CA0431600	$ 65,572	$ -
Total U.S. Department of Treasury			**65,572**	**-**
U.S. Department of Environmental Protection Agency				
Passed Through Assoc of Bay Area Governments (ABAG)				
The San Francisco Bay Water Quality Improvement Fund	66.126	None	172,511	-
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	None	238,151	-
Total U.S. Department of Environmental Protection Agency			**410,662**	**-**
U.S. Department of Labor				
Passed Through California Department of Education				
Adult Education - Basic Grants to States	84.002A	0615	31,746	-
Total U.S. Department of Labor			**31,746**	**-**
U.S. Department of Health and Human Services				
Direct Programs				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	180,472	46,200
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	--	2,750,568	-
Partnerships to Improve Community Health	93.331	--	2,097,917	774,625
U.S. Repatriation	93.579	--	2,075	-
HIV Emergency Relief Project Grants	93.914	--	2,764,169	1,433,798
HIV Emergency Relief Project Grants	93.914	MAI	283,905	-
Subtotal HIV Emergency Relief Project Grants			3,048,074	1,433,798
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA001572402	352,082	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00157-26-00	388,648	-
Subtotal Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			740,730	-
Subtotal Direct Programs			8,819,836	2,254,623
Passed Through California Department of Public Health				
Public Health Emergency Preparedness	93.069	15-10386	60,545	-
Public Health Emergency Preparedness	93.069	14-10542	1,608,414	-
Subtotal Public Health Emergency Preparedness Program			1,668,959	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	662,883	19,879
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	14-100069	114,226	-
Immunization Cooperative Agreements	93.268	15-10452	898,394	-
Refugee and Entrant Assistance _Discretionary Grants	93.576	16-43-90899-00	602,840	-
Medical Assistance Program	93.778	201643	384,709	-
Medical Assistance Program	93.778	201643 MCH	1,985,671	-
Subtotal Medical Assistance Program			2,370,380	-
National Bioterrorism Hospital Preparedness Program	93.889	--	544,203	126,826

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Entity/Grant Name	Federal CFDA No.	Pass-Through Entity Number	Expenditures	Amount Passed to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through California Department of Public Health (Continued)				
HIV Care Formula Grants	93.917	15-11076	$ 829,308	$ 716,257
HIV Care Formula Grants	93.917	16-10858	102,466	102,466
Subtotal HIV Care Formula Grants			931,774	818,723
HIV Prevention Activities_Health Department Based	93.940	15-10949	464,969	154,151
Preventative Health Services_Sexually Transmitted Diseases Control Grants	93.977	15-10269	97,738	-
Maternal and Child Health Services Block Grant to the States	93.994	201643	587,984	-
Subtotal Passed Through California Department of Public Health			8,944,350	1,119,579
Passed Through Sourcewise Community Resource Solutions of Santa Clara				
Aging Cluster:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-1617-10	1,619,441	1,619,441
Nutrition Services Incentive Program	93.053	AP-1617-10	960,113	960,113
Subtotal Aging Cluster			2,579,554	2,579,554
Passed Through California Department of Education				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-6062	1,865,633	-
Passed Through California Department of Health Care Services				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	DHCS1772A	303,589	-
Children's Health Insurance Program	93.767	CCS Admin	1,181,217	-
Medical Assistance Program:				
Medical Assistance Program	93.778	Foster Care & HCPCFC	868,543	-
Medical Assistance Program	93.778	CHDP	740,332	-
Medical Assistance Program	93.778	CCS Admin	4,074,316	-
Medical Assistance Program	93.778	01-0217	53,106	-
Medical Assistance Program	93.778	CCS PPC	55,065	-
Subtotal Medical Assistance Program			5,791,362	-
Block Grants for Community Mental Health Services	93.958	DHCS1772A	951,778	61,582
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	11,559,055	3,816,471
Subtotal Passed Through California Department of Health Care Services			19,787,001	3,878,053
Passed Through California Department of Child Support Services				
Child Support Enforcement	93.563	IV-356	21,447,103	-
Passed Through California Department of Social Services				
Guardianship Assistance	93.090	--	804,654	-
Promoting Safe and Stable Families	93.556	--	1,019,997	-
Temporary Assistance for Needy Families	93.558	--	80,385,466	-
Refugee and Entrant Assistance_State Administered Programs	93.566	--	236,374	-
Refugee and Entrant Assistance_State Administered Programs	93.566	ORSA1608	4,224	4,224
Refugee and Entrant Assistance_State Administered Programs	93.566	RESS 1507	91,889	65,743
Refugee and Entrant Assistance_State Administered Programs	93.566	RESS 1508	59,199	55,898
Subtotal Refugee and Entrant Assistance_State Administered Programs			391,686	125,865
Refugee and Entrant Assistance_Discretionary Grants	93.576	TART 1506	5,030	3,694
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584	TAFO1507	159,430	96,430
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584	TAFO1607	92,959	65,154
Subtotal Refugee and Entrant Assistance_Targeted Assistance Grants			252,389	161,584

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Entity/Grant Name	Federal CFDA No.	Pass-Through Entity Number	Expenditures	Amount Passed to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through California Department of Social Services				
Community-Based Child Abuse Prevention Grants	93.590	--	$ 30,324	$ 30,324
Stephanie Tubbs Jones Child Welfare Services Program	93.645	--	1,333,117	-
Child Welfare Research Training or Demonstration	93.648	--	62,670	-
Foster Care_Title IV-E	93.658	--	51,588,413	-
Adoption Assistance	93.659	--	14,705,776	-
Social Services Block Grant	93.667	--	8,001,712	-
Chafee Foster Care Independence Program	93.674	--	423,855	333,671
Medical Assistance Program	93.778	--	141,051,470	1,950,893
Subtotal Passed Through California Department of Social Services			300,056,559	2,606,031
Total U.S. Department of Health and Human Services			**363,500,036**	**12,437,840**
Coporation for National Community Servic				
Passed through Non-Profit Finance Fund				
Social Innovation Fund Pay for Success	94.024	2015-SIF9	192,322	-
Total Corporation for National Community Servic			**192,322**	**-**
U.S. Department of Homeland Security				
Passed Through California Governor's Office of Emergency Services				
Hazardous Mitigation Grant Program	97.039	FEMA-4158-DR-CA, Project #PJ0159, FIPS #085-0000	1,290,954	-
Emergency Management Performance Grants	97.042	085-00000	501,748	92,529
Pre-Disaster Mitigation	97.047	2016-0001	115,760	-
Subtotal Emergency Management Performance Grants			1,908,462	92,529
Homeland Security Grant Program	97.067	2015-00078	534,963	57,341
Homeland Security Grant Program	97.067	2016-0102	127,652	-
Subtotal Homeland Security Grant Program			662,615	57,341
Subtotal Passed Through California Governor's Office of Emergency Services			2,571,077	149,870
Passed Through City and County of San Francisco				
Homeland Security Grant Program	97.067	2015-00078	20,762	-
Homeland Security Grant Program	97.067	2016-0102	246,831	-
Subtotal Passed Through City and County of San Francisco			267,593	-
Total U.S. Department of Homeland Security			**2,838,670**	**149,870**
Total Expenditures of Federal Awards			**$ 425,351,775**	**$ 17,756,257**

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activities of the County of Santa Clara, California (County) under programs of the federal government, for the fiscal year ended June 30, 2017, except for the Housing Authority of the County of Santa Clara (Housing Authority) (see Note 4). The County's reporting entity is defined in Note 1 to the County's financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position and cash flows of the County.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the County's basic financial statements. Such expenditures are recognized following the cost principles contained in 2 CFR Section 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County did not elect to use the 10% de minimis cost rate as covered in 2 CFR Section 200.414 Indirect (F&A) costs.

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the County's basic financial statements as expenditures in the General Fund and nonmajor special revenue funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the enterprise funds. Federal award expenditures agree or can be reconciled with the amounts reported in the County's basic financial statements.

Note 4 – Housing Authority (Discretely Presented Component Unit) Federal Expenditures

The Housing Authority federal expenditures are excluded from the SEFA because the Housing Authority's federal expenditures are separately audited. Expenditures for the programs of the Housing Authority listed below are taken from the separately issued single audit report. The programs of the Housing Authority are as follows:

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Grant/ Contract Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs			
Continuum of Care	14.267	n/a	$ 3,396,731
Lower Income Housing Assistance Program			
Section 8 Moderate Rehabilitation	14.856	n/a	1,239,140
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	n/a	15,508,457
Mainstream Vouchers	14.879	n/a	804,602
Total Housing Voucher Cluster			16,313,059
Family Self Sufficiency	14.896	n/a	329,908
Moving To Work Demonstration Program	14.881	n/a	295,000,441
Total Expenditures of Federal Awards			$ 316,279,279

Note 5 - Schedules of the California Emergency Management Agency (Cal EMA) and California Victim Compensation and Government Claims Board

California Emergency Management Agency grant expenditures:
The following represents Federal grant expenditures for Department of Justice and Department of Homeland Security that passed through from the California Govnernor's Office of Emergency Services for the fiscal year ended June 30, 2017:

Program Title and Expenditure Category	Grant Award Number/Period	Award Amount	Actual Non-match	Actual Match	Actual Total	CFDA No. of Actual Non-match Amount
Unserved/Underserved Victims Advocacy & Outreach Program	XV15010430					
Personal Services	4/1/16-3/31/18		$ 92,738	$ 43,750	$ 136,488	
Operating Expenses			147	-	147	
Total		$ 350,000	$ 92,885	$ 43,750	$ 136,635	16.575
County Victim Services Program	XC16010430					
Personal Services	7/1/16-6/30/18		$ 24,342	$ -	$ 24,342	
Operating Expenses			258,856	-	258,856	
Total		$ 1,496,058	$ 283,198	$ -	$ 283,198	16.575
Underserved Victims Advocacy & Outreach Program	UV15010430					
Personnel Services	4/1/16-3/31/17		$ 136,546	$ 43,750	$ 180,296	
Operating Expenses			19,592	-	19,592	
Total		$ 175,000	$ 156,138	$ 43,750	$ 199,888	16.575
Underserved Victims Advocacy & Outreach Program	UV16020430					
Personnel Services	4/1/17-9/30/18		$ 46,957	$ 11,550	$ 58,507	
Operating Expenses			3,942	-	3,942	
Total		$ 262,500	$ 50,899	$ 11,550	$ 62,449	16.575
Victim Witness Assistance Program	VW16350430					
Personal Services	7/1/16-9/30/18		$ 883,027	$ -	$ 883,027	
Operating Expenses			21,221	-	21,221	
Total		$ 1,727,800	$ 904,248	$ -	$ 904,248	16.575
Paul Coverdell Forensic Sciences Improvement Grant Program	CQ15110430					
Operating Expenses	10/1/15-12/31/16		$ 32,909	$ -	$ 32,909	
Total		$ 33,473	$ 32,909	$ -	$ 32,909	16.742
Paul Coverdell Forensic Sciences Improvement Grant Program	CQ16120430					
Operating Expenses	1/1/17-12/31/17		$ 36,941	$ -	$ 36,941	
Total		$ 36,941	$ 36,941	$ -	$ 36,941	16.742
Hazardous Mitigation Grant Program	FEMA-4158-DR-CA					
Operating Expenses	12/13/2013-6/30/2017		$ 1,290,954	$ -	$ 1,290,954	
Total		$ 2,720,383	$ 1,290,954	$ -	$ 1,290,954	97.039
Emergency Management Performance Grants	085-00000					
Personnel Expenses	7/1/16-6/30/17		$ 140,237	$ -	$ 140,237	
Operating Expenses			290,298	-	290,298	
Equipment			71,213	-	71,213	
Total		$ 517,005	$ 501,748	$ -	$ 501,748	97.042
Homeland Security Grant Program	2016-0001					
Operating Expenses	5/29/16-10/30-18		$ 115,760	$ -	$ 115,760	
Total		$ 150,000	$ 115,760	$ -	$ 115,760	97.047
Homeland Security Grant Program	2015-00078-085-00000					
Personnel Expenses	9/1/15-5/31/19		$ 465,073	$ -	$ 465,073	
Operating Expenses			69,891	-	69,891	
Total		$ 1,978,074	$ 534,964	$ -	$ 534,964	97.067
Homeland Security Grant Program	2016-0102					
Personnel Services	9/1/16-5/31/19		$ 108,572	$ -	$ 108,572	
Operating Expenses			19,080	-	19,080	
Total		$ 2,002,615	$ 127,652	$ -	$ 127,652	97.067
Homeland Security Grant Program	2015-00078					
Equipment	11/1/15-2/28/17		$ 20,762	$ -	$ 20,762	
Total		$ 942,055	$ 20,762	$ -	$ 20,762	97.067
Homeland Security Grant Program	2016-0102					
Equipment	11/1/16-2/28/18		$ 246,831	$ -	$ 246,831	
Total		$ 646,016	$ 246,831	$ -	$ 246,831	97.067

Note 5 - Schedules of the California Emergency Management Agency (Cal EMA) and California Victim Compensation and Government Claims Board (Continued)

California Victim Compensation and Government Claims Board grant expenditures:
The following represents the California Victim Compensation and Government Claims Board non-Federal grant expenditures for the fiscal year ended June 30, 2017. This information is included in the County's single audit report at the request of the California Victim Compensation and Government Claims Board.

Program Title and Expenditure Category	Grant Award Number/Period	Award Amount	Actual Non-match	Actual Match	Actual Total
Victim Witness Restitution for Crime Victims	VCGC6083				
Personnel Services	7/1/16-6/30/17		$ 248,312	-	248,312
Operating Expenses			24,831	-	24,831
Total		$ 288,586	$ 273,143	$ -	$ 273,143
Victim Witness Restitution for Crime Victims	VCGC5060				
Personnel Services	7/1/15-6/30/18		$ 1,108,151	$ -	$ 1,108,151
Operating Expenses			7,552	-	7,552
Total		$ 3,172,326	$ 1,115,703	$ -	$ 1,115,703

Note 6 – Program Totals

The following table summarizes programs funded by various sources whose totals are not shown on the SEFA:

Program Title	CFDA Number	Expenditures
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
Passed Through California Department of Social Services	10.561	$ 35,705,501
Passed Through California Department of Public Health	10.561	1,506,221
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		$ 37,211,722
Edward Byrne Memorial Justice Assistance Grant Program		
Direct	16.738	$ 195,000
Passed Through City of San José	16.738	62,278
Total Edward Byrne Memorial Justice Assistance Grant Program		$ 257,278
Highway Planning and Construction		
Direct	20.205	$ 383,124
Passed Through California Department of Public Health	20.205	322,579
Passed Through California Department of Transportation	20.205	5,878,613
Total Highway Planning and Construction		$ 6,584,316
Refugee and Entrant Assistance_Discretionary Grants		
Passed Through California Department of Public Health	93.576	$ 602,840
Passed Through California Department of Social Services	93.576	5,030
Total Refugee and Entrant Assistance_Discretionary Grants		$ 607,870
Medical Assistance Program		
Passed Through California Department of Public Health	93.778	$ 2,370,380
Passed Through California Department of Health Care Services	93.778	5,791,362
Passed Through California Department of Social Services	93.778	141,051,470
Total Medical Assistance Program		$ 149,213,212
Homeland Security Grant Program		
Passed Through the California Governor's Office of Emergency Services	97.067	$ 662,615
Passed Through City and County of San Francisco	97.067	267,593
Total Homeland Security Grant Program		$ 930,208

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COUNTY OF SANTA CLARA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

CFDA No. 14.267	Continuum of Care
CFDA No. 20.205	Highway Planning and Construction
CFDA No. 93.659	Adoption Assistance
CFDA No. 93.778	Medical Assistance Program
CFDA No. 93.331	Partnerships to Improve Community Health

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2017-001 Schedule of Expenditures of Federal Awards Completeness Significant Deficiency

Pursuant to 2 CFR 200.508, the County, as an auditee, must prepare appropriate financial statements, including the schedule of expenditures of Federal awards (SEFA) in accordance with 2 CFR 200.510 Financial Statements. The SEFA must be prepared for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 Basis for determining Federal awards expended.

Furthermore, the auditee must establish and maintain internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Auditor is required by 2 CFR 200.518 to use a risk-based approach to determine which Federal programs are major programs, based on the information provided on the SEFA. This risk-based approach must include consideration of: current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program. The County's Type A programs are those with current year expenditures exceeding $3,000,000 for FY2017.

The County's current practice is to require the County's departments that incurred expenditures related to Federal awards provide the information the County's Controller-Treasurer's Department, which consolidates the information and compiles the County-wide SEFA.

During our audit, we noted the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program (CFDA No. 93.959) with federal expenditures of $11,559,055 was not reported in the County's SEFA. The County has subsequently corrected the SEFA to include the expenditures of the SAPT program.

Due to the staff turnover at the Behavioral Health Services Department, the staff was not aware of the requirements and importance of timing for proving the information to the Controller-Treasurer's Department. The error was also not identified from the review of the consolidated SEFA.

Errors in SEFA reporting may result in an inadequate risk assessment and incomplete or incorrect identification of major programs. In addition, it may cause audit inefficiencies and delays the completion of the County's single audit.

We recommend the County develop a timely and effective communication to the County departments that should address internal expectations of the single audit process with timeline of each milestones and the importance of meeting the timeline. Such information should be documented in internal policies and procedures and provided to the departments. Furthermore, the County should continue to improve its process for reviewing expenditures reported in the SEFA and hold the department accountable in providing the information timely.

Section III – Federal Award Findings and Questioned Costs

Finding 2017-002 **Suspension and Debarment**

Awarding Agency:	United States Department of Housing and Urban Development
Passed Through:	Not Applicable
Program Name:	Continuum of Care
CFDA Number:	14.267
Award Number:	CA0951L9T001504; CA0951L9T001605
Award Year:	July 1, 2016 through June 30, 2017
Classification of Finding:	Significant Deficiency in Internal Control over Compliance

Criteria
In accordance with 2 CFR part 180, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Hence, a non-federal entity should verify that the party with whom they intend to business is not excluded or disqualified. The non-federal entity can do this by (1) checking SAM exclusions; (2) Collecting a certification from that party; or (3) adding a clause or condition to the covered transaction with that party.

Condition/Context
During our review of the suspension and debarment requirements, we selected and tested a statistically valid sample of 2 contracts from a population of 3 contracts or agreements in which the Department of Supportive Housing had incurred expenditures during the fiscal year ended June 30, 2017. For one of the contracts tested, the suspension and debarment clause was not included. The Department of Supportive Housing was also unable to provide other documentation to support that the Department of Supportive Housing had performed the required suspension and debarment verification prior to entering into the contract.

Questioned Costs
None – The contractor related to the selected contract has not been suspended or debarred based on our review of Excluded Parties List System (EPLS) maintained by the General Services Administration at http://www.sam.gov.

Cause
The Department of Supportive Housing was aware of the suspension and debarment requirement. However, the template for federally funded contracts, which includes the suspension and debarment clause, was not used for the contract in question. The inclusion of such clause or other means of verifying suspension and debarment is necessary to comply with federal grant requirements. In addition, due to staff turnover, other documents were not maintained to support that the Department of Supportive Housing has verified suspension and debarment.

Effect
The Department of Supportive Housing may have contracted with parties that are suspended or debarred.

Recommendation
We recommend that the Department of Supportive Housing evaluate the effectiveness of its current internal control policies and procedures to ensure suspension and debarment verifications are completed or properly include the suspension and department clause into the contract prior to the execution of contracts with contractors.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2017-003 **Subrecipient Monitoring**

Awarding Agency:	United States Department Health and Human Services
Passed Through:	Not Applicable
Program Name:	Partnerships to Improve Community Health
CFDA Number:	93.331
Award Number:	Not Available
Award Year:	July 1, 2016 through June 30, 2017
Classification of Finding:	Incident of Noncompliance Significant Deficiency in Internal Control over Compliance

Criteria
A pass-through entity is responsible for ensuring that subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year meet the audit requirements of 2 CFR section 200.331(f). The entity is also responsible for considering whether the results of the subrecipient's audits indicate conditions that necessitate adjustments to the pass-through entity's own records. The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)); 2 CFR sections 200.330, .331, and .501(h); Federal awarding agency regulations, and the terms and conditions of the award.

Condition/Context
The current practice of the Public Health Department to address this requirement is to send out questionnaire to its subreipients requesting information of their single audit status and copy of the report if finding is resulted.

During our testing of the subrecipient monitoring requirements, we selected a statistically valid sample of 7 subrecipients from a population of 16 for testing. The Department did not send out the questionnaire in during the year ended June 30, 2017.

Questioned Costs
Not determinable. The maximum exposure to noncompliance was $774,625 which represents 100% of expenditures being passed through to subrecipients.

Cause
The Public Health Department had staff turnover that led to inadequate follow up on the outanding questionnaires to subrecipients.

Effect
The Public Health Department may have pass-through federal grants to subrecipients that did not comply with the audit requirements of 2 CFR section 200.331(f).

Recommendation
We recommend that the Public Health Department evaluate the effectiveness and emphasizes the importance of its current internal control policies and procedures regarding subrecipient monitoring verifications, including verifying that the subrecipients have met the requirements of 2 CFR section 200.331(f).

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2017-004 **Eligibility**

Awarding Agency:	United States Department of Health and Human Services
Passed Through:	California Department of Public Health
	California Department of Health Care Services
	California Department of Social Services
Program Name:	Medical Assistance Program
CFDA Number:	93.778
Award Number:	Not Available
Award Year:	July 1, 2016 through June 30, 2017
Classification of Finding:	Significant Deficiency in Internal Control over Compliance

Criteria
In accordance to 42 CFR Section 431.10, the State Medicaid agency or its designee is required to determine client eligibility with eligibility requirements defined in the approved State plan.

Furthermore, the auditee must establish and maintain internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition/Context
During our review of the eligibility requirements for the In-Home Supportive Services program (Program) under Medical Assistance Program (CFDA No. 93.778), we selected and tested a statistically valid sample of 40 participants from a population of 23,816 participants who received in home supportive services during the fiscal year ended June 30, 2017. The Program is administered by the County's Social Services Agency (Agency). For six of the participants tested, no internal review on the eligibility reassessment was performed by the Agency.

Questioned Costs
None – the selected participants are determined to be eligible to the program.

Cause
In FY17, the program had 76 case management social workers to serve the population of 23,816 cases. Each social worker carried an annual caseload of 315 cases. Due to the limited resources, IHSS program did not perform the internal review on all reassessment performed

Effect
The Agency may not be able to detect potential noncompliance with the eligibility requirements on a timely basis.

Recommendation
We recommend that the Agency review its existing policies and implement procedures to ensure that the proper reviews over annual eligibility reassessments are performed.

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County of Santa Clara

Office of the County Executive

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110
(408) 299-5105

In relation to the County of Santa Clara (County) annual financial statement audit and the single audit for the year ended June 30, 2017, the County hereby submits a summary schedule of prior audit findings and a corrective action plan, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit findings follow-up*.

Summary of Schedule of Prior Audit Findings

Reference Number:	**Federal Award Finding 2016-001** *Allowable Costs/Cost Principles*
Program Identification:	United States Department of Health and Human Services Passed Through State of California Department of Child Support Services CFDA No. 93.563 – Child Support Enforcement (CSE)
Audit Finding:	During our testing of payroll disbursements for the County's CSE Program for the period of July 1, 2015 to June 30, 2016, we selected a statistically valid sample of forty payroll disbursements in a population of 2,703 disbursements and identified three disbursements where the underlying employees' timesheet could not be located. As a result, the employee's supervisor approval validation of the hours charged to the federal program could not be ascertained.
Recommendation:	We recommend that the County strengthen internal controls over its record maintenance procedures in order to mitigate incomplete documentation of costs charged to federal programs.
Status:	Corrective action plan has been implemented.

County of Santa Clara

Office of the County Executive

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110
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Corrective Action Plan

The following findings were reported to the County's Schedule of Findings and Questioned Costs for the Year Ended June 30, 2017. The County's Corrective Action Plan for the finding is as follows:

Comment #2017-001 – (Significant Deficiency) – Schedule of Expenditures of Federal Awards Completeness

Behavioral Health Services Department will implement a new process by maintaining a list of active federal awards. Department will reconcile the programs with questionnaires, SAP expenditures reports and SEFA to ensure all the expenditures related to grant are accurately reported. The SEFAs packages will be submitted to an authorized approver within the department to review and approve before sending to Controller-Treasurer's Department by the required deadline.

In addition, the County will strengthen communication with departments to emphasize the importance of the single audit process and meeting the required timeline. To continually improve the quality and integrity of the SEFA, County will analyze and ensure departments comply with the SEFA timeline and report all grant-related expenditures accurately and timely. The effective and efficient review process will be updated in the existing County-wide SEFA policies and procedures. Timely follow up with departments will also ascertain the completeness of the SEFA.

These changes will be implemented on April 1, 2018.

Contact Person: Tess Tiong, Director at SCVHHS General Fund Financial Services
Marilou Mutuc, Accountant III at Controller-Treasurer Department

Comment #2017-002 – (Significant Deficiency in Internal Control over Compliance) – Suspension and Debarment – Continuum of Care (CFDA #14.267)

The Department concurred with the finding, but noted that the contractor in question was known to have contracts with other jurisdictions also using federal funding. In order to prevent this issue from happening in the future, the Department will update its practice and policy to include in all agreements, via a term or an attachment, language that federal funding will not be provided to contractors that are suspended or debarred.

These changes will be implemented on March 22, 2018.

Contact Person: Hilary Barroga
Program Manager II, Office of Supportive Housing

Comment #2017-003 – (Significant Deficiency in Internal Control over Compliance and Noncompliance) – Subrecipient Monitoring – Partnerships to Improve Community Health (CFDA #93.331)

The Public Health Department has evaluated its current process for subrecipient monitoring and has identified the following steps that will be taken to ensure subrecipient monitoring verifications are completed, including verifying that the subrecipients have met the requirements of 2 CFR section 200.311(f):

- Develop a written procedure for subrecipient verification that includes specifying roles and responsibilities and an annual calendar;
- Provide an annual training to program managers who oversee contracts with federal funding about subrecipient monitoring;
- The Public Health Department's Contract and Compliance Unit will continue to send subrecipients letters each April requesting required information from each subrecipient for the prior fiscal year. Starting with the subrecipient monitoring for Fiscal Year 2017, the subrecipient will be directed to submit the single audit to the Federal Audit Clearinghouse (FAC), unless the single audit identified material weaknesses.
- The Public Health Department's Contract and Compliance Unit will incorporate into its process verification through the FAC.

These changes will be implemented in April 2018 for the Fiscal Year 2017 subrecipient monitoring.

Contact Person: Michele Seaton
Manager, Public Health Department Contract & Compliance Unit

Comment #2017-004 – (Significant Deficiency in Internal Control over Compliance) – Eligibility– Medical Assistance Program (CFDA #93.778)

Management concurs that in those cases subject to face-to-face reassessment within 12 months, the IHSS program does not complete reassessment home visits within 12 months for 100% of cases. The current reassessment rate is 85-86%, which is compliant with the California Department of Social Services standard and does not require a state corrective plan. ACIN I-82-17 (12-5-17) Due to limited resources, the IHSS staff has been unable to reach its goal of 100% compliance. In FY17, the program had 76 case management social workers to serve the population of 23,816 cases. Each social worker carried an annual caseload of 315 cases, adjusting for illness, vacations, etc. The social work staff has been diligently working to raise the reassessment rate (improving from a low of 55%). However, 6% annual program growth means the challenge remains steep and growing. IHSS management will seek budget for additional social work staff, which is not assured, in part due to an uncertain funding methodology at the state level. In addition, detailed process reviews are underway to target any potential efficiency improvements. In all the circumstances, management considers an improvement to 90% reassessment compliance to be a realistic goal in 2 years.

These changes will be implemented in March 30, 2020.

Contact Person: Julia Wyman
Chief Fiscal Officer, Social Services Agency